

Delhi's policy makers are haunted by nightmares of Vietnam, Mervyn de Silva writes

India fears 'Sri Lanka syndrome'

AS THE Indians remorselessly increased the military might they are prepared to throw against the fierce resistance of the Tamil Tiger guerrillas this week, most Sri Lankans had only one question on their minds: Would Mr Velupillai Prabhakaran, the 33-year-old Tiger leader, sue for an honourable peace or follow the path of his fellow-fighters and end in instant martyrdom? The cynic would say the Tigers sport as neckwear, a proven symbol of their fanatical devotion to the cause of an independent Tamil homeland or 'Eelam' in Sri Lanka, has already earned them a place in the annals of unconventional warfare.

Not many Tamils believe he will surrender, which is what the Indian peacekeeping force demands, or allow himself to be captured. Sri Lankans who have met him and studied his career are sure he will emulate his favourite hero, Chhatra Eastwood, and die in battle, his Magnum AK-47 blazing.

Diplomats in Colombo are monitoring secret contacts between Madras, the capital of the southern Indian state of Tamil Nadu, the Tigers, New Delhi, and Mr Rajiv Gandhi, the Indian Prime Minister, who is at the Commonwealth conference in Vancouver.

The chances of a ceasefire and a conditional surrender of arms, these diplomats say, are 'good and getting better'.

In government offices in Colombo, and in buses and trains in the Sinhalese south of Sri Lanka, Mr Prabhakaran competes with the World Cup cricket tournament as a topic of conversation. The Sinhalese generally derive vicarious pleasure from the fact that it is the Indian Army which is taking on their hated and feared foe; nevertheless some can scarcely suppress a sneaking admiration for this young Sri Lankan who has taken on the Indians just when the Sri Lankan intelligentsia has started referring openly to the country as a quasi-protectorate.

When Mr Prabhakaran launched his movement a decade ago, an indulgent Tamil middle class in the north called his small band 'the Boys'. For now, at least, many a Sinhalese



Sri Lankan adversaries: President Junius Jayawardene (left) and Tamil Tigers leader Velupillai Prabhakaran

identifies himself, almost unaware, with open kolla ('our lad'), as he fights a formidable foreign force. Through a curious and cruel twist of irony, these Sinhalese betray a sense of common belonging which has eluded both communities for so long, ultimately leading to their harrowing five-year civil war.

Will 'Chhatra Eastwood' Prabhakaran be saved in the last scene by Mr M. G. Ramachandran, chief minister of Tamil Nadu and a former movie idol who is also the Tiger leader's political patron?

The Tigers have always used the south Indian state as their sanctuary and base. With a population of 50m Tamils, this is not a state Mr Gandhi can lightly ignore, particularly as he is increasingly short of friends in the Indian states themselves.

'MGR' is a staunch ally but he is ailing in hospital in the US, which may be one of the reasons behind the timing of the Indian onslaught on Jaffna peninsula, the separatist Tamil stronghold in the far north of Sri Lanka. His views of the crisis are

crucial and it is unlikely to be a coincidence that Mr Gopinath Fonseka, a superstar of the Sinhalese cinema, who is both a close friend of 'MGR' and a strong supporter of President Junius Jayawardene, is about to leave on a hurriedly arranged trip to New York.

Mr P. Dinaksh Singh, the former Indian foreign minister, who was one of Mr Gandhi's special envoys to Colombo earlier this year, said in Delhi recently: 'Like other states, Tamil Nadu will regard the Sri Lankan conflict and our role as a national issue'.

The Hindu, the voice of the powerful newspaper establishment in the state, confirms Mr Singh's judgment. It broke a long silence with an editorial that condemned the Tigers' massacre of 200 Sinhalese civilians and warned the Tigers that they 'had taken on the government and people of India'.

A more immediate and likelier prospect troubles both Colombo and Delhi. The hard-core rebels who survive could take to the jungles south of the peninsula and return to the 'war of

fear', this time harassing the Indians rather than the Sri Lankans. The thought of a long counter-insurgency operation on behalf of the Sri Lankan government haunts the Indian elite as obviously, that the Indian press in the past 10 days has given as much prominence to the Sri Lankan story as to the World Cup cricket.

But on different pages. While the international stars Imran Khan and Vivian Richards and the local hero, Kapil Dev, spread themselves freely in the sports section and beyond, President Jayawardene and Mr Prabhakaran monopolise the front page.

The Indian editorialists and analysts devote more attention to the Indian intervention in Sri Lanka than to Mr Gandhi's forthcoming talks with Mr Reagan on US aid to Pakistan, the Indo-Pakistani skirmishes on the Satchin Glacier, and the Tibetan uprising.

The Indian opposition is demanding a special parliamentary session on Sri Lanka, and the Marxist Communist Party of India which governs West Bengal

has issued a lengthy statement warning the government of foreign policy implications, including US designs, in supporting the Indo-Sri Lanka peace accord.

A Times of India editorial is titled 'Into a Deeper Morass'. Other papers ring the changes on that word so suggestive of fearful analogies - mire, quagmire, quicksands, imbric, which depict India as a superpower bogged down in its own Vietnam or Afghanistan.

With the peacekeeping force now at 15,000 and deeply engaged in battle, the idea of keeping the peace seems long lost. The best that India can hope for now is that it will be short operation. 'We must move in fast, finish the job and get out soon,' says a well-known military affairs analyst. The sense of international duty appearing to be that remark is overpowering.

Mr Nikhil Chakravarty, veteran editor of the left-wing 'mainstream', is more conscious of the internal situation in Sri Lanka, and the increasing isolation of its regime. President Jayawardene is applauded for a 'masterly' move which has forced India to 'underwrite his own presidential tenure'.

Indian policy makers are aware of the predicament. The 81-year-old president is the only Sri Lankan politician self-confident enough to pursue the perilous course of offering a semi-autonomous homeland to the Tamils, and thus serve, however inadequately, the Indian interests as 'protector of the Tamil minority'.

With Mr Pant, the Indian defence minister, beside him, Mr Jayawardene was frank about his motives. He wanted the Indian army to relieve his army in the north in order to deploy it in the south, the scene of a rapidly escalating incipient Sinhala youth insurgency.

All this adds up to one very uncomfortable question for the government in New Delhi. Will this prove to be yet another of the world's intractable sectarian disputes which means the next generation of Delhi's politicians will have to live with the 'Sri Lanka syndrome'?

BY RICHARD EVANS

YORKSHIRE WATER and South West Water, two of the 10 water authorities in England and Wales, have come out broadly in favour of the Government's plans for privatising the industry.

Their response, disclosed yesterday in submissions sent to Mr Nicholas Ridley, Environment Secretary, will come as a relief to the Government, which has faced hostility from the industry over the proposal to set up a state-controlled National Rivers Authority to regulate the privatised companies.

The switch of emphasis by the two authorities, both of which were highly critical of the NRA, means the Government is in a more comfortable position as it completes its flotation plans prior to the introduction of a bill in parliament.

Only Thames Water, the largest and most profitable of the authorities, is still retaining an

implacably hostile approach. Most of the others have reservations, but accept the need for the NRA if privatisation is to go ahead.

The board of Yorkshire Water, the chairman of which, Mr Gordon Jones, is also chairman of the Water Authorities Association, said yesterday the Government's proposals could form 'a workable framework capable of protecting the interests of customers, employees and shareholders'.

However, it underlined the tricky negotiations that lie ahead between the Government and the authorities by expressing concern about the role, size and organisation of the NRA. Yorkshire argued that the NRA should adopt an overseeing role with as much as possible of the day-to-day tasks being carried out by the privatised authorities.

This, it is argued, would avoid confusion of roles, waste and duplication of resources. 'By adopting this approach, the board feels that most of the benefits gained since the creation of the water authorities in 1974, in greater efficiency and improvement of services, can be retained.'

The 28 statutory water companies, in their response to the Government, also welcomed in principle the proposal to set up an NRA. The Water Companies Association argued it was only by the establishment of an effective regulatory body that public disquiet about the impact of a privatised monopoly could be allayed.

But the association suggests the Government could consider alternative forms of privatisation, including the adaptation of the 'well proven statutory model'.

Cardiff docks planner chosen

BY ANTHONY MORETON, WELSH CORRESPONDENT

LEWELYN DAVIES Planning has been chosen from a short list of four to prepare plans for the redevelopment of 2,700 acres of Cardiff's rundown docklands.

Mr Geoffrey Inkin, chairman of Cardiff Bay Development Corporation, making the announcement in Cardiff, described the project as 'one of the most exciting planning projects in Europe'.

Mr David Walton, managing director of the London-based planning consultants, which has strong Welsh connections through its founders, said he was 'delighted and excited' at being chosen.

The partnership is totally committed to working with the corporation and the local authorities and will be opening an office in the area to undertake the work.

The theme of the consultants' approach is to integrate the docklands with the retail and commercial centre of the Welsh capital and to remove the feel-

ing that the area, once known throughout the world as Tiger Bay, was 'the wrong side of the tracks'.

Mr Walton said the consultants would draw up plans that would involve the local community, improve the quality of the main council-owned or old housing in the area, and provide work for people living there.

Llewelyn-Davies is expected to produce a plan to be put to a referendum on local inhabitants in the Welsh Secretary, by March.

The consultants were chosen after 12 firms had been invited to compete. Eight responded and a shortlist of four was produced. The unsuccessful candidates were Conran Roche, another London consultant, and two from the US: Land Design Research and Sasaki Associates.

Some of their ideas could be incorporated into the final plan, Mr Inkin said. 'We have been looking for a synthesis of

ideas. We shall be drawing together all the best ideas from the four consultants.'

Llewelyn-Davies, which will be paid £250,000 for its contract, will include in its team Harlow Wales as consulting engineers; Kissenman Robertson (New York) on architecture and urban design; JWP Consultants, civil engineers; Wyn Thomas and Partners, Cardiff architects; and Davis Belfield & Everett, Newport quantity surveyors.

Professor Bill Williams, of Swansea University, who has worked with Mr Walton for more than 20 years, will be engaged as a 'sociological consultant'.

Cardiff Bay Development Corporation, the first of the Government's five second-wave urban development corporations in England and Wales, was announced in December. The original UDCA, in London's Docklands and Merseyside, were set up in 1981.

Council libraries refused right to stock Spycatcher

FINANCIAL TIMES REPORTER

A HIGH COURT judge yesterday refused to allow Derbyshire County Council to stock in its libraries Spycatcher, the memoirs of Mr Peter Wright, the former MI5 officer.

Mr Justice Knox said the council had sought to draw a distinction between mass circulation of the book's allegations in national newspapers and library authorities being allowed to stock four copies on their shelves. But, he said: 'Those four books are the thin end of a very large wedge indeed.'

The judge said the House of Lords had upheld a temporary injunction in July against the Guardian and Observer newspapers stopping them from printing extracts or allegations from the book until the Attorney General's claim for a permanent ban on such use by the press was heard.

The Lords had decided the allegations in the book, despite

widespread publication abroad, were not public knowledge in Britain and that the injunction should remain in force until the trial, due to start on November 16.

The judge said the council's application, if successful, would have applied to any of the thousands of private, school, university libraries and bookshops in the country.

Mr Justice Knox refused to vary the terms of the injunction to give libraries specific immunity to stock Spycatcher. He said the legal right or otherwise to stock the book would become clear after the Attorney General's trial against the newspapers.

He added: 'It seems to me very plain that the harm suffered by wait until the trial of the case is to start in a month, before making Spycatcher available to readers, is trivial.'

NHS changes announced

BY MICHAEL DIXON

EARLY LEGISLATION to change the primary health care services was announced yesterday by Mr John Moore, Social Services Secretary.

He told the conference of the Society of Family Practitioners in Scarborough that a white paper setting out the changes would be published

in the next few weeks and a bill would be introduced in the current session of parliament.

Mr Moore said changes would include alterations in contracts between the National Health Service and family doctors to 'encourage higher performance'.

BA Holidays to be renamed after merger

By David Churchill, Leisure Industries Correspondent

BRITISH AIRWAYS' loss-making holiday subsidiary BA Holidays, is to be renamed Redwing Holidays following its merger with the fast-growing Sunmed Holidays tour operator earlier this month.

The company will become the fourth largest package tour operator in the UK and could soon challenge Horizon Holidays, the third largest operator recently acquired by the Bass brewing group.

Sunmed has become one of the most successful tour operators to the Mediterranean under the entrepreneurial control of Mr Vic Francis, managing director, and his young management team.

British Airways Holidays, which trades under names such as Enterprise, Sovereign, and Flair, incurred a loss of £8.8m last year and was heading for a larger loss this year.

BA decided that it could not compete in the fierce price war in the package holiday market, so it decided to merge its operations with Sunmed.

Redwing, the new holiday company, will be jointly owned by Mr Francis and British Airways.

BA's decision to merge its holiday operations is the latest in a series of re-alignments in the travel industry this year.

Africa's Upright Man comes to grief

A LITTLE over four years ago a 34-year-old army captain launched a revolution that - for a while at least - captured the imagination of the youth of West Africa.

Thomas Sankara swept to power in a bloodless coup in August 1983, proclaiming an end to the corruption that had marked Upper Volta since independence in 1960. The country that he was to rename Burkina Faso - 'Land of Upright Men' - had seen three earlier coups, each leading to administrations as corrupt and repressive as their predecessors.

Capt Sankara's outgoing, down-to-earth approach gained him immediate popularity with his own people as well as with the youth of neighbouring West African states. And for a time at least, his vigorous self-help philosophy, directed particularly at agricultural and basic health services, won him the respect of international aid donors who wondered if Burkina Faso could serve as a model for the other struggling states of the Sahel.

Last Thursday night, however, Capt Sankara's revolution abruptly ended. The president was overthrown by Captain Blaise Compaore, his close friend and a minister of state. Capt Sankara was last night reported to have been among a group of former government officials who had been executed. The former French colony is one of the poorest countries in

the world, with a per capita income of £150 per annum. The three main exports (cotton, almonds and cattle) have all been severely hit by drought over the past few years. Most of the country's 8 million people live out a living from the soil in the harshest climates in Africa.

It seemed an unlikely place to become a focal point of radical change in the region. But a well-organised left wing group of young officers, led by Capt Sankara and reacting against cynical abuse of power, masterminded the bloodless coup of August 1983.

The new government, headed by the National Council of the Revolution was composed of both civilians and military, and appointed by Capt Sankara himself. Its main aim was to encourage the people to overcome the apathy caused by years of neglect. Grassroots Committees for the Defence of the Revolution were set up to transfer power from the former élite.

The Council placed special emphasis on improving the lot of Burkina's peasant farmers. Ambitious health and education schemes were launched to combat high rates of infant mortality and illiteracy in the rural areas. Civil servants and white collar urban workers were expected to help on rural and urban projects to build a better Burkina.

During the first two years the country was widely viewed as a successful African revolution. Visitors were impressed by the reduction of corruption and the success of health, education, housing and road schemes.

But all was not as harmonious as it seemed. Civil servants were becoming increasingly disenchanted with intensive government decrees and poor salaries. Unable to strike for higher wages because all trade union activity was dubbed reactionary, they showed their discontent by staying away from government rallies.

Peasant farmers too were becoming weary of the often heavy handed attempts of the grassroots committees to bring revolution to the villages, whose traditional power structure of elders and chiefs had often been alienated.

Capt Sankara's revolution also aimed to drastically reduce army numbers, to encourage young graduates and school leavers. The arrest in May of a prominent trade union leader marked a further deterioration in the political climate, and it became clear that it was only a matter of time before Capt Sankara's powerbase in the army was eroded by growing

discontent. His downfall will receive a mixed reception from neighbouring countries. The former government's radical policies and Capt Sankara's close links with Col Muammar Gaddafi, the Libyan leader, and President Fidel Castro of Cuba, are known to have worried West Africa's more conservative leaders, in particular President Houphouët Boigny of the Ivory Coast.

Captain Compaore, Burkina Faso's new leader, has committed himself to continuing the 'revolutionary struggle'. From the same mould as Capt Sankara and only a year older, it was much he has learnt from the mistakes of his former comrade at arms.

Some deputies say they like the job flexibility provided by an integrated courthouse and jail. Employees regularly switch between sections and might even consider moving back into the jail as a warder. The problem is promotion: the best chances of breaking the logjam higher up the pay-scale come down to death or early retirement.

In Alabama, you see, people have a tendency to stay put. Sonny Robinson, a 6ft 5in, 280 lb court brawler sat with his feet on the desk and said: 'I've done 11½ years and I've got 13 years to go. Then I'll never put on a brown shirt and black pair of shoes again.'

What has changed is the sheer number of women inmates. 'We just don't have enough room for them here,' said Mr Garrett, noting that 10 years ago the jail housed between 15 and 35 female prisoners. Today, it is regularly around 35 or more, many on drug charges. Some 90 per cent of inmates are between the ages of 17 and 36 and almost two-thirds are black. The colour profile is not mirrored by jail and court employees - which reveals the practical limits of reverse discrimination and affirmative action policies.

Federal government rules require 30 per cent of the jobs to go to minorities. Jefferson County has moved well over the 30 per cent target but only by including the growing contingent of women. Most minority employees are in the lower ranks. There is only one black and one woman lieutenant; the rest of the upper echelons are white males.

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Soft cell for Alabama's new-style jail

Lionel Barber in Birmingham sees for himself today's one-stop bail-to-jail American prisons

SHERIFF'S DEPUTY Sheila Garrett pressed the elevator button and we rose to the second floor of the Jefferson County jailhouse.

'This here is the women's floor,' said Ms Garrett, a strapping blonde in her mid-30s. 'No males, not even guards, are allowed in here - unless there's trouble.'

Segregation by sex rather than by race is the rule today inside the nine-storey, high-rise County Jail in downtown Birmingham, Alabama. Completed 18 months ago at a cost of \$28m, it looks like a multi-storey car park. In fact, it is a benchmark of change in Alabama, the southern state once dubbed the last refuge of racism.

The previous prison remand centre in Birmingham was built in 1932, clamped almost as an afterthought on top of the old courthouse, a short stroll from the grandly preserved Turnhill Hotel. Steam-heated - during winter, the 70 sq ft cells, each with five to six inmates, turned into greenhouses in summer. 'Hell,' recalled one warder, 'the temperatures would get up to 120 or 130 degrees.'

In the wake of the major US civil rights legislation in the

1960s, Jefferson County jail, like many other prisons in the US, found itself sued in the Federal Court for overcrowding. Class actions filed by former inmates claimed thousands of dollars in damages. The County faced a choice: either fork out money for the victims or build a new jail.

The problem was where to put the new remand centre - and its \$14m neighbour, the County Courthouse. Some affluent Jefferson County suburbs had protested about plans for a state prison on their land, and so the prison authorities turned to the City of Birmingham, once torn apart by racial violence, now slowly on the mend and in search of jobs and property tax dollars for its downtown area.

The new jail and courthouse employ almost 500 people and cater for up to 618 prisoners, all of whom are being held in custody pending trial. It amounts to an integrated operation: a suspect can be booked, locked up and later tried all under the same roof. Moreover, the cost of

ferrying prisoners to court is eliminated and the chance of escape considerably reduced. 'Over half of all escapes occur during transportation,' one warder explained.

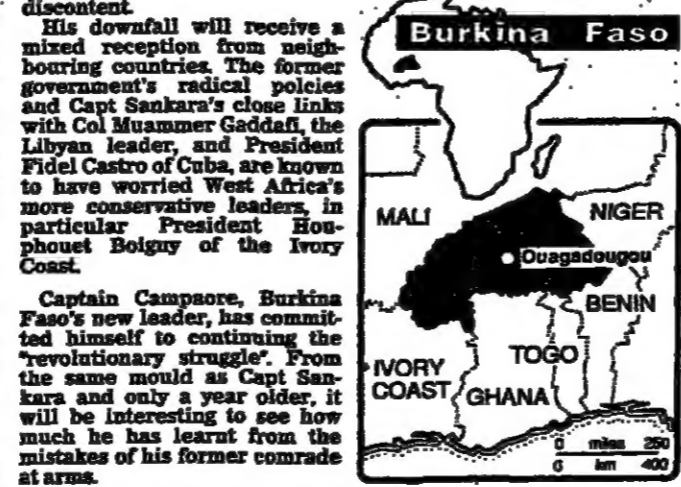
Inside, automation rules. On each of the nine floors, a guard sitting in a control booth made of shatter-proof glass watches as a computer automatically opens and shuts doors, logs visitors and silently links up to the master brain located near the first floor entrance and protected by a huge crash barrier.

Inmates have their own 80 sq ft individual cells, set back from a communal area with bare aluminium stools, a public telephone and a television set. The whole space is enclosed by bullet proof glass: not an old-fashioned cell bar in sight. On one floor there is a small law library, mandated by the Federal law. 'The old jail was a real jail; this is like a motel,' said one warder with a front-tooth knocked achey.

Yet warders display pride in their new home, which appar-



Thomas Sankara: his revolution was beginning to fade



The pioneers of heat-control are coming in from the cold

THORN EM's takeover of JEL Energy Conservation Services marks a watershed for the energy saving industry which sprang up after the 1970s oil price explosions.

JEL, bought by Thorn for up to £10m, was one of a number of companies to develop sophisticated heating controls for buildings. In selling out to a larger industrial group it follows a pattern set by other pioneering companies such as Transmission and Trend Controls, which have come in from the cold to become subsidiaries of the BICC and MK groups respectively.

Suggestions that JEL's sell-out results from falling interest in energy saving and low oil prices appear wide of the mark. Mr John Lawrence, who founded JEL 12 years ago, insists that, in spite of the oil price collapse, JEL's sales continue to rise 20 per cent a year, enabling him to forecast pre-tax profits this year of £500,000.

Mr Lawrence expects 60 per cent of JEL's estimated £8m sales this year to come from improving existing buildings and the remainder from new ones. His business career has turned full circle. Before starting JEL over a butcher's shop at Bramhall, Greater Manchester, 12 years ago, he worked as a systems director with a big elec-

tronics group selling environmental controls. He struck out on his own after failing to persuade his employer to recognise the market created by the energy crisis.

His company employs 150 and boasts a purpose-built energy efficient head office at Stockport, opened by Prince Charles. It also has six regional offices, a joint venture in France and technical agreements with Danfos of Denmark.

It is among about 10 companies operating in a British market for energy management systems worth about £20m a year. Mr Lawrence says JEL is one of four market leaders which all have between 7 per cent and 10 per cent of overall sales.

In the closely-related environmental controls market, sales total £20m a year. Fire prevention systems earn be-

tween £200m and £300m a year. With energy systems still selling well, Dr Glenn Brookes, director of the Energy Systems Trade Association, attributes the decline of the independents to changes in the microprocessor industry and the development of integrated systems governing air-conditioning, lifts, fire prevention and security as well as energy management.

The versatility of the available equipment makes it natural, he says, for energy specialists to pool their expertise with suppliers of the other kinds of controls. (Even before their merger, for example, there had been a joint marketing agreement between JEL and Thorn Security, which supplies fire and security monitors.)

In spite of the lack of urgency over energy prices, sales of control equipment have been sustained by the steady fall in the price of systems available. In the early 1980s, individual systems, based on large central computers, could cost up to £80,000 each. Due to the surge of microprocessors on to the market, a unit can cost as little as £1,000. Buildings or groups of buildings can be controlled by putting small, cheap microprocessors where they are needed, instead of using centralised computers.

UK NEWS

Austin Rover may have cut car diesel range

BY JOHN GRIFFITHS

AUSTIN ROVER is understood to have reduced the range of cars which will use the "world first" direct injection diesel engine it developed jointly with Perkins at a cost of £27m.

The engine was launched in the middle of last year - more than a year later than first forecast - in Austin Rover's Maestro van. It is also used in Freight Rover's Sherpa vans.

Austin Rover also intended to launch the engine, in normally aspirated and turbocharged forms, in Maestro and Montego cars and in turbocharged form only - the Rover 800.

However, the only car which will now use the engine - and only in 80bhp turbocharged form - will be the Montego.

It is understood that Rover group has been told by the European Commission that it is not allowed to supply an alternative unit for the Rover 800. The company used a turbocharged diesel produced by V8 of Italy in the Rover 800's predecessor, the SD1.

The diesel Montego is expected to be launched in seven or eight months, after development of hydraulic engine mounts to reduce noise and vibration has been completed.

UK car fleet operators who have been offered test cars fitted with the diesel, based on Austin Rover's 2-litre "Q" series unit, are understood to have been particularly critical of the engine in these respects.

Perkins last night denied that the Peterborough-based company was disappointed with take-up of the engine.

The initial capacity laid down to produce it was 60,000 units a year and eventual output of 100,000 units a year was envisaged, covering vehicle, marine and industrial applications.

This compares with expected production this year of 12,000 units of the engine, known as the "Prima", of which 10,000 are being used in Maestro vans and Sherpas.

While a Montego diesel car could be expected to increase demand for the engine, there is little or no prospect of this being sufficient to take up the Peterborough plant's capacity.

Austin Rover this week refused comment, except to confirm that a Montego using a turbocharged version of the engine would be launched next year. It would make no forecast of potential sales volumes.

Seelig bailed on 12 Guinness charges

Financial Times Reporter

MR ROGER SEELIG, the former Morgan Grenfell corporate finance director, was remanded on bail of £500,000 yesterday when he appeared at Bow Street court in London to face 12 charges arising from the Guinness affair.

The charges included two allegations that Mr Seelig, 42, stole a total of £2,953,000 from the brewing group. Mr Seelig, who had been regarded as the brightest star in one of the City's most successful merchant banks, acted as chief adviser to Guinness during its £2.8bn takeover of the drinks group Distillers.

Mr Seelig was remanded on bail until November 3 after a 15-minute hearing.

He was granted bail after two sureties of £250,000 were put up by Sir Terence Conran, chairman of the Storehouse group, and Mr Paul Hamlyn, the publisher.

Mr Victor Temple, prosecuting, outlined the charges as four of false accounting, two of procuring the execution of a valuable security by deception, two of theft, one of conspiring to create a false market in Guinness shares, and three of gaining indemnity or financial assistance for purchases of Guinness shares.

Customers given say in pay rises

By David Thomas

EXECUTIVES at Rank Xerox, the Anglo-American photocopier and office systems group, will soon have good reason to remember that the customer is always right.

From next year, merit rises for Rank Xerox's 200 to 300 senior managers in Europe and the south east will be cut off and some 5m customers will be cut off in the south east.

Even power stations along the coast will be cut off and some 5m customers will be cut off in the south east.

Mr Roland Magnin, Rank Xerox managing director, disclosed the scheme, believed to be without precedent, to senior Rank Xerox executives and European journalists at the company's international headquarters in Marlow, Buckinghamshire.

It is believed Mr Magnin said about 10 per cent of the pay of senior executives in Britain, according to the Top Executive Unit of Income Data Services, an independent pay research body.

Mr Magnin said: "Since customer satisfaction is our first priority, I thought 'Why don't we pay our people on that basis'."

The scheme will probably run for two years on an experimental basis.

Mr Magnin added that from next year no other criterion would be used in judging whether to award merit rises. Rank Xerox previously used such measures as profits and sales performance to assess these rises.

A small team will advise Mr Magnin on how customer satisfaction should be measured. The key customers are likely to be sent questionnaires about their views of products and services.

Mr Magnin thinks the awards, which will be contained in the salaries, will be worked out on a national basis. For instance, the rises of Rank Xerox's French managers will depend on what French customers think of the company.

Financial Times reporters look at the effects of a night of storm and havoc Power failures were 'worst for 40 years'

BY MAURICE SAMUELSON AND MAX WILKINSON

THE EARLY MORNING hurricane yesterday caused Britain's worst power failures for 40 years, blacking out much of southern England.

Millions of homes from Kent to Hampshire were without electricity after winds up to 94mph threw trees on to power lines or sub-stations.

Many parts of the South East of England were still without electricity last night as repair crews and helicopters converged on the area.

Military and civilian helicopters patrolled the main grid lines, looking for faults, but engineers had difficulty in reaching them because of tree-blocked roads.

However, the high voltage national grid and the power stations operated by the Central Electricity Generating Board were back to near normal by 10.30am yesterday, after the worst grid failure for decades.

Although power stations were able to produce all the electricity which the nation needed, and the large pylons carrying the bulk supplies were intact, millions of people were without electricity because of damage to smaller local circuits operated by the area boards.

The first effects of the storm were felt at 4am, when high voltage national grid lines from the Dungeness nuclear power station near Brighton became disconnected from the system.

CEGB engineers think flying debris or the pressure of the winds pushing cables against the pylons caused protective switches to be tripped. As the storm moved north many high voltage cables were automatically disconnected, until by 5.30 am the two double "ring-main" cables round London were blacked out.

Although electricity was still available from the CEGB's northern power stations, the south east was cut off and some 5m customers were cut off in the south east.

Even power stations along the coast were themselves blacked out, and had to make what engineers call "black starts", beginning with batteries.

Yesterday Mr Ed Wallis, director of operations at the CEGB's grid control centre in London, said the board would mount an investigation. He agreed pylons might have been designed to avoid touching the cables, but this was not cost money. He believed that winds of such strength were so unusual the risk was acceptable.

standby generating equipment. When the storm abated the ring main could not be restored until the power stations in the south were fully operational, because of the need to balance voltages in the system. The recovery exercise took about two hours starting at 8.30.

Most of London's supplies were restored early in the morning, because the majority of local cables are underground and were unaffected by the storm. Outside the capital extensive damage to local networks left many people without power.

As darkness fell, some 800,000 consumers were without power and the Electricity Council, which co-ordinates the 12 area boards and the CEGB, warned some supplies might not be restored for several days, particularly in the remoter parts.

The South East Board, whose headquarters is in Brighton, last night said the situation was "still desperate". Of its 1.6m households, 500,000 were without electricity at 5pm, compared with 1m affected at 7am.

Shortly after it spoke, there were more blackouts in Brighton after lightning hit overhead conductors.

The board, whose distribution area stretches from Brighton to the East Kent coast, said there were 170 overhead line faults in Guildford and 100,000 customers were cut off in Maidstone. Nothing had been known like it since 1948.

Southern Board officials, whose area stretches from West Sussex to Dorset and into Wiltshire, said about 10,000 families had been reported, "the worst ever".

In London, served by the London Electricity Board, 1.7m homes were initially without power but by 6pm all supplies had been restored.

Yesterday Mr Ed Wallis, director of operations at the CEGB's grid control centre in London, said the board would mount an investigation. He agreed pylons might have been designed to avoid touching the cables, but this was not cost money. He believed that winds of such strength were so unusual the risk was acceptable.

City computer safeguards prove their value

BY ALAN CANE

IT WAS the night managers learned the hard way that money spent protecting computers against Acts of God is never wasted.

The trauma early yesterday were among the worst a computer system can be expected to sustain - a combination of long power failures which exhaust back-up batteries and sharp fluctuations in power level which upset the delicate semiconductor chips and circuitry.

The firms which came through best were those which had a combination of uninterruptible power supply systems which keep the information in the computer's memory intact during momentary cuts, and emergency diesel generators to cover more prolonged cuts.

Bankers Automated Clearing Services, for example, which processes some 9m items every night - chiefly company payrolls and other standing orders - for the clearing banks, switched to its emergency generators in the early morning when power from the grid began to fluctuate.

The Stock Exchange's system, heart of London's new equities markets, remained operational although the stock price information service was suspended at 8.55am because too few members had logged on to support credible trading.

Market makers reported problems in connecting their systems to the stock exchange and in receiving price data, but in general the feeling was that the systems had survived the ordeal; shortages of key staff were a much bigger problem.

The system at some firms including Barclays de Zoete Wedd were "hit" by as many as five power cuts within 10 minutes. BZW staff said their UPS had

16-OCT-1987		UKXJ
0846 LONDON BLACKED OUT BY POWER CUTS	1-1	UKXZ
0847 LONDON STOCK EXCHANGE OUT OF ACTION DUE TO STORMS	1-1	UKXZ
0905 LONDON STOCK EXCHANGE OUT OF ACTION DUE TO STORMS	1-1	UKXZ
0915 LONDON FOREIGN EXCHANGE MARKET DISRUPTED BY GALE	1-1	UKYA
0918 BANK OF ENGLAND NOT DEALING IN GILTS	1-1	UKYB
0921 LIFFE MARKETS OPEN WITHOUT DELAY. TRADE SCANT	1-1	UKYC
0921 LONDON SHARE TRADERS SAY BUSINESS HALTED BY GALE	1-1	MRLA

coped well with the trauma. At midday, Seag was restored but the prices displayed over the Topic system were indicative rather than firm. The Exchange said last night "because of the safety and integrity of their systems seriously enough felt their warnings had been vindicated."

According to Mr Ian Galt of Emerson Electric, a supplier of UPS, about half the computer installations in the London area still have no form of back-up or protection.

A recent study from the consultancy Arthur Young showed that very few companies throughout Europe took com-



Journey disrupted, a commuter makes her way through fallen branches.

Insurers count cost of storm

BY DAVID CHURCHILL

BRITAIN'S INSURANCE industry was yesterday trying to come to terms with the storm damage in southern England, which is almost certain to be its biggest natural disaster for many years.

The final bill for insurance claims is expected significantly to exceed the £105m paid out in early 1984 as a result of gale-force winds and flooding.

"It is too early to say what the level of claims will be, but they are certain to be substantial," said the Association of British Insurers yesterday.

The insurance industry was also paying the way yesterday for an increase in premiums to cover the higher payouts. Mr Clive Longhurst, of the British Insurance Association, said yesterday that if an enormous amount had to be paid out by the insurance companies, the

only money they have is the money that comes in through premiums, so they may have to consider their rates.

Insurance companies were anxious to allay fears from the public about the financial consequences of the damage. "Once people have coped with the immediate problems caused by the storm, then they want to have their mind put at ease about the financial implications," Commercial Union said.

"We are opening our major branch offices in the south-east today and are drafting in extra staff to deal with claims."

The Prudential said policy holders with claims should contact their local agent, part of a 12,000 strong sales force in the UK. "District managers have also been authorised to pay out up to £2,000 immediately in cases of urgent need," it said.

Insurance companies also made it clear that householders should press ahead with emergency repairs without first seeking approval from their insurance company, but they should remember to keep receipts for all the expenditure they incur.

Most policies issued by the leading insurance companies do not give cover for storm damage to hedges, fences, or gates, but damage to cars from falling trees is normally covered by most motor policies.

Storm damage is one of the major costs incurred by insurance companies during the autumn and winter months and three bad winters in a row has put heavy pressure on the insurance industry's profitability.

In March last year, damage caused by gales cost insurers about £55m while the gales, flooding, and snow damage in the winter of 1984 cost £195m.

No quick aid for councils, says Hurd

BY TOM LYNCH

THE GOVERNMENT would not rush into any decision on whether to provide cash to help local authorities deal with the cost of the storm, Mr Douglas Hurd, the Home Secretary, said last night.

"Until we know the scale of the damage and where the responsibility lies, it is too soon to be clear," he said after chairing an hour-long emergency meeting of ministers from 10 Whitehall departments.

He praised the action taken by local authorities and the emergency services, but said any decision on cash aid would have to wait until the Government could count the cost and

see how much was covered by insurance. If the emergency services were shown to have been hampered by lack of equipment, then there would be a "strong case" for putting that right.

Mr Hurd said ministers had discussed but rejected the possibility of calling a state of emergency.

Some indication of the apathy with which London's financial services industry regards the threat of disaster is the fact that Emergency Telecommunications Services, a company which offers the City's only stand-by dealing room - a dealing room complete with dealer stations, computers, and telecommunications connections, has yet to find a single customer after a year on the market.

In contrast, companies offering standby computer centres have been doing good business in the past few years after a slow start.

STC wins £20m contract

BY DAVID BUCHAN

STC Defence Systems has been awarded a £20m contract to supply and install optical transmission networks for the RAF's UNITER project involving modernising its telecommunications around the country.

STC, the UK-based electronics group, recently won a £22m contract for the supply of long haul fibre optic transmission systems for the RAF, and ICL

won a £37m contract for a new RAF command and control system.

All these contracts themselves form only part of the current effort to upgrade the UK's defence telecommunications, which also includes purchase of Boeing AEWs early warning radar aircraft and improvements to Tornado jet intercept radar and to ground radars.

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Liberals begin policy review

By Tom Lynch

THE POST-ELECTION review of liberal policy gets under way today when the party's policy committee meets in London.

Mr Alan Beith, the deputy leader, will chair the session, and present a paper arguing that the merger talks with the SDP should not state the way of a national debate on policy.

The paper stresses the need to present Liberal themes such as freedom and says policy work needs to be done on crime. He says the party should not commit itself to an incomes policy

Labour calls for tougher gun law reform plans

BY TOM LYNCH

LABOUR will attempt to embarrass the Government in the Commons if it does not toughen up its proposals on gun law reform, Mr Roy Hattersley, the shadow Home Secretary, made clear yesterday.

In a letter to Mr Douglas Hurd, the Home Secretary, he reiterated Labour's demand that the new law should cover all shotguns and require applicants for gun licences to prove a need for one, rather than the Government's proposal that they should demonstrate fitness

to hold a licence. Labour has already promised to back the new laws but Mr Hattersley said it will not be pushing a bill quickly through in a crowded timetable would depend on the Government accepting his proposals.

He said Labour would not seek to defeat the less stringent government proposals but would table detailed amendments requiring the Government to argue and to vote against them.

Solicitors discuss partnerships

BY RAYMOND HUGHES IN VIENNA

MIXED PARTNERSHIPS between solicitors and members of other professions do not at the moment appear viable, the Society's Conference in Vienna was told yesterday.

Mr John Hayes, the society's secretary-general, said there was no consensus between solicitors and the various professions with which they might link - accountants, surveyors and estate agents - on such matters as control, professional standards and conflict of interest.

A chartered accountants' working party, while enthusiastic about mixed partnerships,

recently rejected the idea of regulating them saying it would restrict the ability to compete in a highly competitive market, Mr Hayes said.

He doubted whether that approach would be acceptable to the Director-General of Fair Trading, the Government or solicitors.

"I think that to allow solicitors to trade in the unregulated environment of the accountants would be a mistake," Mr Hayes said.

Chartered surveyors allowed mixed practices, he said, but re-

lied on mutual adherence to professional standards, and allowed members to pass control of their practices to unregulated third parties.

The Estate Agents National Association was opposed to mixed partnerships and telecommunications.

Mr Hayes said he was doubtful about trying to achieve a common code of ethics and protection in view of the different attitudes and backgrounds of the professions. The result was likely to be the lowest common denominator or "an espresso that few understand or respect."

Move on child pornography

By Tom Lynch

THE GOVERNMENT plans to change the law to make possession of child pornography an offence, Mr Douglas Hurd, the Home Secretary, said last night.

He told Conservatives in Oxfordshire that the current law passed in 1978 - forbidding the taking, distribution or showing of child pornography had "dealt a substantial blow" to those engaged in it, but that some paedophiles had formed "closed cells in which they circulate their filth."

It was often not easy to establish that material seized in raids was intended for distribution.

Mr Hurd said he would bring forward an amendment to the Criminal Justice Bill, currently before parliament, to make possession of such material an offence, thus increasing legal protection for children.



Retail Financial Services

were in an extremely strong capital position, the Third World debt crisis was putting pressure on clearing banks' capital, Mr Ginartia said. Meanwhile, building societies were

facing a squeeze on margins at the same time that they wanted to diversify into new businesses such as estate agency.

Third, the marketing ethic was much better established among insurance companies than their competitors. They have "the marketing aims, the skills, the record and a reasonable public image," said Mr Ginartia.

Although banks had been successful in the mortgage and deposit markets in recent years, their performance in life and unit trust markets had been "deplorable". And, although, societies had a "superb" public image, they remained a "monoculture industry and do not have the track record of more diversified companies."

Mrs Marjorie Greene, head of strategic management consultancy at CAF Financial Services, argued that such services

as "home shopping" and "home brokerage" would probably be common established before "home banking".

Mr Raoul Bellanger from Cartes Bancaires, the French plastic card consortium, said security would be the most important problem in the future development of plastic cards.

In particular, he argued that magnetic stripes were not safe enough. Four digit PIN codes were not the ideal way of identifying customers and that it was unrealistic and too expensive to aim for on-line computer authorisation of all transactions.

Mr Trevor Davies, managing director of Thomas Cook Travellers' Cheques, said travellers' cheques were a mature product in many markets, but that there was potential for growth in countries where the population was only just beginning to travel.

LABOUR NEWS

Vauxhall workers strike over productivity bonuses

BY CHARLES LEADBEATER, LABOUR STAFF

MANUAL WORKERS at Vauxhall Motors' car plant at Luton started an indefinite strike yesterday afternoon in a dispute over the re-calculation of productivity bonuses.

The strike, involving 3,500 workers, went ahead in spite of more than six hours of talks between managers, local full-time union officials and convenors from the plant aimed at settling the dispute.

The company insisted that in spite of the length of the talks it would not accede to the unions' demand for a £10 a week improvement in bonus payments. Hopes for an early end to the strike hinge on a meeting planned for Monday between the company and national officers of the Transport and General Workers Union and the

AEU, engineering union.

The strike follows the union's claim that since August the company had been depressing the car workers' bonuses. Vauxhall accepted that it would lose at least five hours of overtime production today, and a full day's output on Monday.

The dispute only affects the Luton plant, which manufactures Cavaliers. Normal production is expected to continue at its Ellesmere Port plant on Merseyside.

The workers voted for strike action by about two to one. While the company expects support for the strike to be weaker than suggested by the vote, union officials said workers were fully in support of the strike.

The dispute follows the sepa-

ration of the car and van plants on the Luton site. A joint venture formed by General Motors of the United States, Vauxhall's parent company and Isuzu, the Japanese manufacturer, took over the plant this summer.

While the car plant is much more efficient than the van plant, productivity bonuses for production workers on the site had been calculated on the basis of the average productivity of both plants. The company wants to include notional figures for the van plant's productivity, based on production in the four weeks before the plants were separated, to calculate the car workers' bonuses, pending agreement on a revised productivity scheme tailored to the car plant.

The unions were angered that the company introduced the 'notional figures' without consultation. They argue that on the basis of the established productivity threshold, which has to be crossed before bonuses are paid, the car workers are owed an extra £10 a week, in addition to average weekly bonuses of about £25.50.

The company has suspended national wage negotiations until the Luton dispute is settled. The wage award was due to have been settled by September 9, when the two year agreement, reached in 1985, expired.

This week, Sir Colin Marshall, BA's chief executive, said: "We really do not want to indulge in the lengthy debates which characterised our last two-year negotiation."

Mr. George, he said, is to keep BA competitive in all spheres of its business activity. He named the airline's tours and catering divisions as among those which have been uncompetitive on costs.

Mr. Nick Georgiades, BA's human resources director, says in British Airways News, the airline's staff newspaper, that he is not tabling a detailed set of productivity and efficiency requirements but is looking for "an overall and enabling understanding" on flexibility.

The agreements we have afforded a protection to staff to talk through their concerns associated with attendance hours and changes to rosters," Mr. Georgiades says.

"We are not against that, but we are aware that this protection and prevarication in disrupting and inevitably impedes our ability to respond effectively to changes in operational requirements."

Prison officers' leader warns of national dispute

BY OUR LABOUR CORRESPONDENT

A LEADER of the Prison Officers' Association last night warned of the danger of a national dispute if the Home Office takes action against warders continuing to refuse to accept extra inmates at six jails.

Mr. Alec Leathwood, a POA negotiator and executive committee member responsible for London prisons, said: "We would be obliged to call in other prisons to assist. That certainly isn't what we want to see it slide into."

His warning came after a scheduled meeting of the POA executive, due to discuss the local disputes, failed to go ahead yesterday because of the adverse weather conditions in the south-east.

Mr. Douglas Hurd, Home Secretary, warned earlier this week that he would order tough counter-measures if the POA members did not return to normal working at Wandsworth, Wormwood Scrubs and Pentonville prisons in London, Chelmsford jail in Essex, Camp Hill on the Isle of Wight, and Ashford in Kent.

The POA executive had met on Wednesday and deferred consideration of the issue until yesterday. In view of the unusu-

al circumstances causing the cancellation of yesterday's meeting, Mr. Hurd is thought unlikely to take any precipitate action.

The dispute surrounds implementation of the Fresh Start pay and conditions deal, which bought out prison officers' extensive overtime working in return for a salary structure.

POA members at the prisons involved in the dispute say the Home Office has failed to produce staffing improvements implied in the deal. Nationally, the union says Mr. Hurd and his officials have cut by 200 a pledge to appoint 950 extra officers as part of Fresh Start.

Mr. Leathwood suggested last night that, although 950 would still be inadequate, restoration of that figure could settle the dispute.

The Home Office, which says the figure for extra appointments has always been 750, said last night that 1,257 remand prisoners were being held in police cells as a result of the dispute - 1,064 in the south-east alone.

This number was in addition to the 47,309 prisoners in jails. The certified capacity of the prison system is 42,459.

Usdaw aims recruitment drive at the young

By Our Labour Editor

USDRAW, the shopworkers' union, is launching a recruitment drive aimed specifically at young people working in the retailing industry.

The union, which claims to be Britain's largest organising exclusively in the private sector, sees its new campaign as an attempt to draw into the unions these young people whose prime link with trade unionism - starting work after they leave school - has been broken in many cases.

Usdaw, which is aiming its drive both at employees and at YTS trainees, says that trainees in particular may not realise that they can join a union while on the training scheme.

Encouraging all Usdaw shop stewards to contact all young people working in their establishments, Mr. Garfield Davies, Usdaw general secretary, said: "Shop work is very often the first experience a school leaver has of the world of work."

Claiming that many young people in retailing were exploited or treated unfairly, he said: "Even when they feel cheated they may be warned off complaining if an unscrupulous employer hints that there are plenty of unemployed who can do their job."

CBI finds more workplace change

BY PHILIP BASSETT, LABOUR EDITOR

INCREASED SCOPE for companies to secure change in working practices has been found by a Confederation of British Industry examination into company-level efforts to reach agreements aimed at improving productivity.

A number of surveys now available paint general pictures of workplace change. To try and obtain a more precise idea of the changes being achieved by managements, however, the CBI looked in detail at nine companies which had agreements for workplace change taking effect in January this year - and how the deals worked out in practice.

The study concludes that wide-ranging changes were achieved in all cases as part of a regular pay deal. This illustrated management use of pay as a lever to secure change, said the CBI.

No case provoked industrial action by the unions involved, and the CBI says in a report to its member companies: "Despite

the importance of negotiating change, the trade unions in most instances were able to secure only minor modifications in the changes required."

Since the changes, the CBI says, the companies examined all report agreements to be working well. The report says that "even in the cases where unions were initially opposed to the deal, their attitude has become more favourable, particularly as improvements in productivity have started to feed through into increased earnings."

Some of the agreements examined by the CBI, feature interesting variations on some current aspects of the labour market - particularly employers' threats of increased use of temporary labour.

Examples of the deals include: ● A company in Buckinghamshire trying to solve recruitment problems by expanding its workforce's skill range. The company had experienced

workforce refusal to co-operate with temporary and contract labour. Under the proposed deal, employees were required to move to multi-skilling. The CBI says "the employees' initial opposition to this was removed by the threat to use contracted workers on the higher-paid tasks, leaving permanent workers with the less skilled and therefore lower-paid jobs."

● An electrical company in Manchester attempting to increase flexibility and mobility, made it clear that sickness absence was too high and said the practice of employing temporary workers would be extended if a reduction was not forthcoming. As well as securing the deal, the company has cut its absence levels by 5 per cent so far.

● JC Bamford, the excavation company, reached a two-year deal on flexibility and improved bonus payments tied to changes in working practices, including a move to a 4½-day working week, with Friday af-

ternoons paid at overtime rates and an increase in sickness pay provided absenteeism levels fell. If the deal was not accepted, the company made clear that a due profit-related bonus would not be paid.

● Automotive Products, the Leamington Spa-based company, sought a two-year deal involving a 10 per cent increase paid in three stages across the period. This was linked to "total flexibility" and the acceptance of "extensive monitoring of the quality of each worker's output." According to the CBI's report, the unions managed only reduced the flexibility requirement to total flexibility across trade groups.

● A Scottish mechanical engineering company went against employee insistence that all workers be paid the same, when they linked a pay rise to the acceptance by production workers of the extension of the company's incentive scheme into their area.

NUM leaders told 1,300 jobs to go in pit closures

BY CHARLES LEADBEATER, LABOUR STAFF

LEADERS of the Yorkshire area of the National Union of Mineworkers were yesterday told that British Coal plans to close a further two pits in the area with the loss of about 1,300 jobs. Union leaders were told of the decision at a colliery review meeting yesterday. The pits to

close are Wooley, the pit at which Mr. Arthur Scargill, the NUM's President started his career, which employs 805 workers and Redbrook, which employs 476.

The decision to close the pits is expected to be approved by the corporation's main board

within the next few weeks. The closure of Wooley and Redbrook, follows the announcement of the closures of Wheldale colliery in Yorkshire, Snowdown in Kent, and Cadely Hill colliery in the Midlands.

Miners leaders expect a state of pit closures in the next few weeks. This follows British Coal's decision to improve the terms of its voluntary redundancy payments by offering an additional lump sum of £5,000 to attract more redundancies. The offer will remain open until March next year.

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Saturday October 17

A family quarrel

AS THE West Germans and the Americans have been reminding us this week, the most vigorous quarrels are within the family. For an outsider to intervene in a family quarrel is always risky, but in this case it may be helpful. Both parties are right. More precisely, the Germans are right about the US and the Americans are right about Germany.

The conflict is between the instinctive Keynesianism of the Americans, especially of Mr James Baker, the Treasury Secretary, and the equally obstinate monetarism of the Bundesbank. It is this difference in underlying beliefs that makes attempts at macroeconomic coordination so difficult.

The official American view is that growth in the American economy of 2.4 per cent in the year to August, is by no means excessive. Unemployment, it is true, is down to 5.9 per cent, but this looks low only against the dismal European performance. The rise in consumer prices remains below 5 per cent a year, while money supply is well under control.

The one worry is the trade balance. The deficit just announced for August was well above that for all months in 1987, apart from June and July, and the deficit in the first eight months of the year is already \$11.4bn.

Nevertheless, Mr Greenspan, the chairman of the Federal Reserve, stated only yesterday that there has been a "silent revolution" in the US economy, with the volume figures for exports particularly encouraging. On this view it is the sluggishness of the rest of the world, especially in the major surplus countries, that is the principal problem. Certainly, a recession in the US would be quite inappropriate.

Meanwhile, the official German view is that the American boom has been the consequence of unsustainable and irresponsible fiscal policies. At the same time, slow growth in the German economy reflects fiscal and monetary prudence and, just at present, the adjustment to the appreciation of the Deutsche Mark in 1985 and 1986.

Meanwhile, the aim of monetary policy should be stabilisation of the domestic price level and that is almost precisely what has been achieved.

The one thing that must be avoided, the Germans would argue, is a resurgence of global inflation. But this is what is now threatened by the American inflation with targets for real rates of growth. If inflation were to rise again, the costs of the distinction between 1979 and 1982 would have been wasted, and given the understandable inflation psychosis of financial mar-

kets, the effects could be extremely harmful. At the beginning of 1987 Japan and Germany wanted to control the damage to their export industries, just as the US wanted to limit the inflationary risks of uncontrolled dollar depreciation. But the Louvre Accord was a marriage of convenience. In retrospect, the cautious reaction of the representatives of Japan and Germany to the plans for long term macroeconomic coordination announced in Washington two weeks ago by Mr Baker and Mr Nigel Lawson, the Chancellor of the Exchequer, may herald proceedings for divorce.

Inflationary risks

The reaction of the markets to the cross-purposes of the authorities is now putting pressure upon them and so making the disagreements more apparent. Rates of interest have been rising sharply in all markets. The redemption yield on ten year US treasury bonds, for example, is now some 1 per cent higher than a month ago. Equity markets, too, have been weakening (except in Tokyo), especially the New York market, productive competition with the Germans in just two weeks. While nervous about the intentions of the authorities, currency dealers have also been marking down the dollar.

What needs to be done? The Germans are right to point to the inflationary risks of present US policy. Further dollar depreciation would, with the present level of activity, be more likely to increase inflation than contribute to orderly adjustment of the balance of payments. Action to raise short term US interest rates would, therefore, be quite appropriate.

Meanwhile, the Americans are right to chide the Germans for their caution. If the Germans push up interest rates, this will merely create a quite counterproductive competition with the Americans. The condition of the German economy justifies a relaxed view of monetary policy and, more important still, a far more aggressive policy towards the rigidities that impair the growth potential of the economy.

Meanwhile, for Mr Baker to react to his frustration by talking down the dollar could be counterproductive. It would be counterproductive, because of the risk of inflation. It would be counterproductive internationally because the Germans, at least, are likely to call his bluff, believing that open-ended official support of the dollar would have still worse consequences than its further fall. In short, this is a family quarrel which can be sensibly resolved, if tempers can only be kept in check.

NOT SINCE THE South Sea Bubble in the early eighteenth century have so many top British financiers faced so many serious charges arising from a single event. The extraordinary series of arrests in connection with the Guinness affair raises new questions about the nature of the alleged offences and of the authorities' reaction to them. Is this just a bizarre side-show, or does it mark a fundamental turning point in the conduct of business affairs?

Five people have been arrested so far, in a drawn-out process which was guaranteed to secure the maximum amount of publicity. Scores of charges have been made, ranging from common law conspiracy to theft. Compare this with the official response to other City scandals in recent times. Only a tiny handful of people were charged with offences following the secondary banking upheaval in the early 1970s, a period of gross abuses in the financial sector. Mr Jim Slater was the only prominent figure to be charged, and that with relatively trivial offences under the Companies Act. He was eventually convicted on 15 charges, and fined £15 on each.

More recently, the Director of Public Prosecutions has shown great reluctance to move against those involved in a whole range of frauds in the Lloyd's insurance market. Although some charges are now being pursued, the authorities both at Lloyd's and in the Government both made it plain that they would have preferred quicker police action across a broader front.

The precise nature of the alleged offences in the Guinness affair will not become clear until the courts start to grapple into action. But on current evidence it appears that the events which took place during Guinness's struggle to acquire Distillers last year were different in scale from what had occurred in a number of other epic takeover battles.

In addition the UK charges allege that the accused falsified invoices used to collect indemnity payments from Guinness. The company and its advisers went further and harder than others had done before in their determination to win the day. But the trend towards a rougher and increasingly questionable style of bid tactics was already well established. The actions for which men like Ronaldson, the former of the Heron Group and Mr Roger Seelig, formerly of Morgan Grenfell, have now been subjected to public scrutiny were not so different from those which had earned them plaudits and rich rewards in other times.

What seems certain is that none of the people who have been arrested could have imagined at the time that they were running such risks. In January this year, Mr Gerald Ronson described his version of events in a public letter to the new chairman of Guinness. He told how he had agreed to prop up the price of Guinness shares, in return for a promise that any losses would be made up by the company.

"This," he wrote, "did not seem to me at the time to be in any sense unusual or sinister." Under the Companies Act, it is illegal for a company to give any form of financial aid to purchasers of its own shares, except in very limited circumstances. Yet there are grey areas between the boundaries of the law and accepted City practice.

A merchant bank adviser can quite legitimately try to persuade investors during the course of a bid that his client's shares are worth buying. But it



Images of top businessmen leaving Bow Street magistrates court will not easily fade. But will the Guinness scandal change the City's ways? Richard Lambert reports

A stain not easy to wash out

is not such a big step from that to much less acceptable practices - for instance, enlisting the support of those who might have a strong commercial interest in the outcome of a bid.

Pierce competition between rival merchant bank advisers has led to other potential abuses. Although a company cannot indemnify people who support its shares, the law can be sidestepped if its adviser offers an indemnity on its own behalf, even if in practice the bank expects to recoup any outlay it makes through the fees it receives from its client at the end of the battle.

One relatively new practice in bids has been the payment of fees geared to success, whereby a merchant bank gets a huge reward if it wins the day, and very much less if it fails. This has given merchant advisers great incentives to commit their own capital to the struggle, and, occasionally, to cut corners.

There seemed to be no disincentive to do so. Everyone knew - or thought they knew - that the worst that could happen would be a slap on the wrist from the Takeover Panel. In the feverish atmosphere of a year or two ago, that began to count as winning one's spurs. The threat of Bow Street magistrates' court would have seemed ridiculous.

The question is why a transaction which Mr Ronson thought at the time was neither unusual nor sinister has landed him in

court, accused, among other things, of the theft of more than \$6m from Guinness. The charges are highly unusual. According to academic lawyers, the Theft Act has never been used in this way before and there is a view that the police may have over-reached themselves by bringing such serious charges. The contrast with the

business offices last December. It has not just been a story for the financial pages, the Guinness affair has grabbed the public imagination as a saga of power, greed and corruption. This was not something that could be quietly dismissed as a technical City matter.

Then again, there is the American connection. Mr Ivan

Seelig worked for Morgan Grenfell, which is of course a fully paid up member of the financial establishment. But the bank and, in particular, Mr Seelig himself had made a lot of enemies by aggressive and pushy behaviour in the takeover field on a whole series of occasions. Again in this point should not be overemphasised. But the fact is that the City likes the freedom that comes from being able to operate in grey areas, and becomes resentful if brazen newcomers queer the pitch by taking things too far. You do not have to go along with Mr Saunders, who claims darkly that there are "big and powerful forces" ranged against him, to accept the idea that few people will be shedding tears over the fate of those who have been arrested.

Will these remarkable events have a lasting impact on the conduct of business life? They are certainly leaving a short-term mark on the way takeover bids are being fought. Deal-makers have been reined in, and super stars in the merchant banks have had to give way to conventional business disciplines. Banks are thinking twice about accepting fees based on success, and about organising "stabilisation" programmes for the share prices of their clients. Companies are being asked to be questioning more closely than they did before whether the means justify the end in a takeover battle.

On top of all this, the politics of the Guinness affair have to be taken into account. A number of senior Tory ministers hold the City in low regard - more so, oddly enough, than do some of their Labour opposite numbers. The City is seen as a place of limited vision and selfish interest. Some Tory ministers hold it in low regard.

authorities' extremely tentative approach towards the various scandals at Lloyd's could hardly be more marked.

There are several possible explanations. One is the sheer scale of the support operations which were aimed at artificially boosting the Guinness share price during the takeover battle. The total spending by its supporters in one way or another appears to have exceeded £250m. Moreover, the affair has had enormous public exposure since the Department of Trade inspectors walked into the Guinness offices last December.

Boesky, the disgraced US share trader, gave details of his involvement in the bid to the US authorities, who passed them to London. At a time when the Americans were cracking down with great ferocity on share dealing offences in the US, the British must have felt under some pressure to turn the heat on. (In parenthesis, it is worth noting that a number of the most publicised insider dealing cases in the US appear to be running into the sand.)

The police have had an unusual advantage in pursuing the

case. They have been given access to transcripts of all the evidence which has been collected by the Department of Trade's inspectors in their own, separate, investigation. The inspectors, unlike the police, can compel witnesses to give evidence under the threat of imprisonment. At a time when the traditional right of a witness to remain silent has become a matter for public debate, the use by the police of evidence collected in this way could well become a contentious issue.

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But whatever the final outcome of the cases which are now being fought, the week of prominent businessmen under arrest will not be quickly forgotten. That, presumably, was the intention.

INSPIRED choice or political naïveté? That is the most obvious question raised by this week's award of the Nobel Peace Prize to President Oscar Arias of Costa Rica.

The award recognises the 46-year-old President's contribution towards restoring peace in Central America - a personal crusade to which he has devoted most of his time and energy since taking office 18 months ago.

In so doing he has confounded the sceptics who refused to believe that he would succeed where others had failed: the guerrilla war in Guatemala has dragged on inconclusively for over 25 years, more than 80,000 people have died in the eight-year-old civil war in El Salvador and the battle in Nicaragua between the US-backed contra rebels and the Sandinista Government has raged uncontrolled since 1980. However with the peace process at an early and very fragile stage, the prize could well prove premature. Five Central American leaders have agreed on a timetable for country-by-country amnesties, ceasefires and political reconciliation - but no government is bindingly committed. The "Arias Plan" could fall apart at a moment's notice.

It is a bit like an architect being given a design award for a building which has not been properly used yet, comments a colleague involved in the peace plan.

The record of some previous peace prize recipients leaves little room for optimism. North Vietnam's takeover of the South made a nonsense of the award of the prize to Henry Kissinger and Le Duc Tho. And the Ben-Gurion-Sadat prize for the Egyptian-Israeli peace treaty caught the glitter of a momentous occasion, but proved transient.

Against this record, and faced with only the bare bones of a Central American agreement, the Norwegian academics responsible for this prestigious award have clearly taken a risk. But having plumped for President Arias - a London University-educated economics graduate who was one of the less-touted candidates - they know their action is likely to af-

Oscar Arias

A prize fighter who aims to win on points

By Robert Graham

fect events in a way that previous awards have not done.

The prize could help the peace plan over its next obstacle: an absurdly unrealistic 90-day timetable for implementation of amnesties, ceasefires and political reconciliation on a country-by-country basis. Every element of the plan is meant to be in place by November 7, a deadline which will prove impossible to meet. The award of the prize to President Arias could, however, sustain the momentum of the deal and permit an extension of the timetable.

It could also increase pressure on the Reagan Administration not to undermine the plan. In the past few weeks President

Man in the News



Reagan has begun to move towards a grudging support for the plan, even though it risks marginalising the role of the contras, whom he terms "freedom fighters". The appeal of the plan lies in its symmetry: forcing democratic concessions from the Marxist-orientated Sandinistas while pushing the El Salvador Government to accommodate the demands of the country's left-wing guerrilla movement.

The mission of introducing a broad democratisation of Central America says as much about Costa Rica's unique position in the region as about President Arias himself. Costa Rica likes to boast of being the Swit-

zerland of Central America. For this boast, the Costa Ricans - the "ticos" - are deemed unbearably smug by their neighbours.

Less-developed by the Spanish conquistadores, Costa Rica avoided large land-holdings and the traditions of a militarily dominated society. It attracted a wave of European immigrants in the 19th century who settled on smallholdings in the fertile valleys and sloping pastures of the volcanic mountain ranges that suggest an Alpine comparison.

Costa Rica was the first of the Central American countries to develop universal education, a system of social welfare and a vigorous parliamentary system. In 1949 it went one step further

and abolished a standing army - unheard of in Latin America - and established a tradition of neutrality. It is an exceedingly open society with little pomp surrounding its institutions. The presidential palace is the former headquarters of a Mexican-owned industrial concern and President Arias can jog without hindrance through the streets of the capital, San Jose.

A product of this neutralist environment, President Arias's career began in 1970 as a presidential economic adviser. He moved on to be vice-president of the Central Bank, Minister of Planning and then secretary-general of the Christian Democratic Party (PLN).

Well before winning presidential elections in 1986, he determined to do something to promote peace in Central America. His motives were not entirely altruistic: Costa Rica has suffered from the general sense of insecurity in the region (torture camps for the foreign investors are wary) and would suffer further if the war in Nicaragua spilled over to its territory.

Mr Arias felt that previous peace initiatives had been weakened by being directed externally. Costa Rica, he reasoned, was the only country which could take the initiative, in a region which, despite political differences, shared common concerns and a common language.

One of the keys to President Arias's progress so far has been his own impartiality. He has refused to be bullied by the US - turning down four proposed US ambassadors as unsuitable and snubbing Col Oliver North's plans to use Costa Rica as a southern front for the contras. Yet he has not hesitated to criticise the Sandinistas for "betraying" their revolution.

But perhaps the main ingredient in his plan's success has been its simplicity and boldness. In a war-weary region simple talk of peace has proved seductive. It has created what one diplomat has termed "a dynamic of incredulity" which has swept all the countries concerned along a path they never believed it possible to tread.

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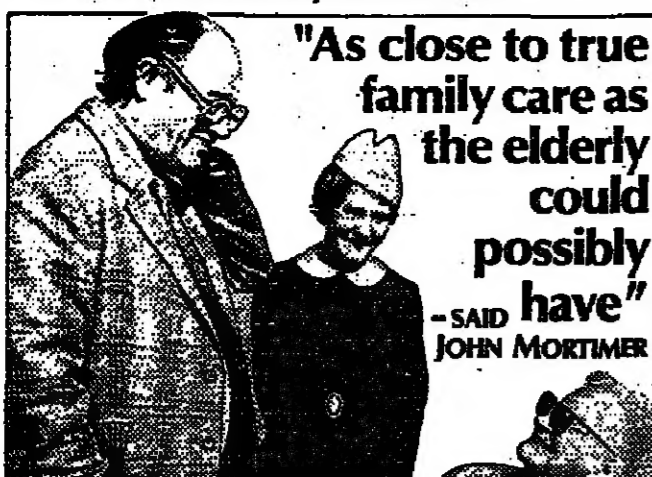
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	Royal Money Plus	8.00	8.00	Yearly	£10,000	Inst. acc. 7.50K-82.5K/45+ bonus
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Cheltenham & Gloucester (0242 363611)	Gold Mithy. Int.	7.72	8.00	Monthly	Tiered	No notice/penalty
Cheltenham & Gloucester (0242 363611)	Chelt. 4-Term Sh.	8.00	8.00	Yearly	£10,000	Inst. acc. 7.50K-82.5K/45+ bonus
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Cowen (0203 522777)	Moneymanager	8.05	8.05	Yearly	£10,000	Inst. acc. no pen. mthly. inst.
	Moneymanager	7.50	7.60	Yearly	£10,000	Inst. acc. 7.50K-82.5K/45+ bonus
	3-Year Bond	8.00	8.50	Yearly	£10,000	Close 90 days' not. £10K-25K
	90-Day Option	8.50	8.50	Yearly	£10,000	Close 90 days' not. £10K-25K
Credit Mirror Astor	Star 60	8.25	8.25	Yearly	£20,000	On demand 0.18% p.a. inst.
	2-Yr. Star	8.00	8.00	Yearly	£20,000	60 days' pen./not. £500+ 8.00
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Greenwich (011-858 8822)	Gold Star	8.00	8.00	Yearly	£20,000	Inst. £10K+ 7.75 £5K+ 8.25
Halifax* (011-262 8811)	2-Year Star	8.45	8.72	Quarterly	£10,000	No mt./pen. to bal. £15,000+
	90-Day Xtra	7.75	7.90	M/2-yearly	£10,000	90 days' but
	90-Day Xtra	8.00	8.16	M/2-yearly	£10,000	90 days' but
	90-Day Xtra	8.00	8.16	M/2-yearly	£25,000	£5,000 remains
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EQUITY GROUPS & SUB-SECTIONS	Thursday October 15 1987					Highs and Lows Index				
	Index No.	Day's Change	Est. Earnings (pence)	Gross Div. Yield (%)	Est. P/E Ratio	Index No.	Index No.	Index No.	Index No.	Index No.
Figures in parentheses show number of stocks per section										
1 CAPITAL GOODS (214)	100.00	-0.8	6.96	2.80	18.02	101.17	101.17	101.17	101.17	101.17
2 Building Materials (30)	100.00	-0.7	7.52	2.94	16.30	102.79	102.79	102.79	102.79	102.79
3 Contracting, Construction (30)	100.00	-0.9	6.68	2.67	20.81	103.46	103.46	103.46	103.46	103.46
4 Electricals (16)	100.00	-2.5	6.84	3.42	18.61	104.13	104.13	104.13	104.13	104.13
5 Electronics (34)	100.00	-1.3	7.48	2.34	17.43	104.80	104.80	104.80	104.80	104.80
6 Mechanical Engineering (60)	100.00	-0.4	6.74	2.96	18.66	105.47	105.47	105.47	105.47	105.47
7 Metals and Metal Processing (7)	100.00	-1.1	6.82	2.77	17.81	106.14	106.14	106.14	106.14	106.14
8 Motors (14)	100.00	-0.2	7.17	2.77	16.33	106.81	106.81	106.81	106.81	106.81
9 Other Industrial Materials (22)	100.00	+0.1	6.07	3.02	19.38	107.48	107.48	107.48	107.48	107.48
10 CONSUMER GROUP (183)	100.00	-0.8	6.19	2.63	20.35	108.15	108.15	108.15	108.15	108.15
11 Breweries and Distillers (22)	100.00	-1.4	8.30	3.05	15.08	108.82	108.82	108.82	108.82	108.82
12 Food Manufacturing (23)	100.00	-1.0	7.19	3.03	17.95	109.49	109.49	109.49	109.49	109.49
13 Food Retailing (16)	100.00	-0.9	6.04	2.42	22.06	110.16	110.16	110.16	110.16	110.16
14 Health and Household Products (8)	100.00	-0.5	4.52	1.90	23.97	110.83	110.83	110.83	110.83	110.83
15 Leisure (30)	100.00	-1.5	4.02	3.06	23.05	111.50	111.50	111.50	111.50	111.50
16 Packaging & Paper (16)	100.00	-0.9	5.81	2.50	22.66	112.17	112.17	112.17	112.17	112.17
17 Publishing & Printing (15)	100.00	-1.5	4.13	2.89	13.03	112.84	112.84	112.84	112.84	112.84
18 Stores (35)	100.00	+0.6	6.24	2.60	21.49	113.51	113.51	113.51	113.51	113.51
19 Textiles (16)	100.00	-0.8	7.06	2.58	16.38	114.18	114.18	114.18	114.18	114.18
20 OTHER GROUPS (86)	100.00	-0.7	7.51	3.06	16.58	114.85	114.85	114.85	114.85	114.85
21 Agencies (17)	100.00	-1.1	3.84	1.39	34.15	115.52	115.52	115.52	115.52	115.52
22 Chemicals (21)	100.00	-0.2	6.52	3.04	18.76	116.19	116.19	116.19	116.19	116.19
23 Conglomerates (13)	100.00	-0.1	6.79	3.49	16.04	116.86	116.86	116.86	116.86	116.86
24 Shipping and Transport (11)	100.00	-1.8	7.19	3.49	18.36	117.53	117.53	117.53	117.53	117.53
25 Telephone Networks (2)	100.00	-1.8	9.33	3.72	14.30	118.20	118.20	118.20	118.20	118.20
26 Miscellaneous (22)	100.00	-1.3	8.84	2.76	13.48	118.87	118.87	118.87	118.87	118.87
27 INDUSTRIAL GROUP (48)	100.00	-0.6	6.76	2.88	18.63	119.54	119.54	119.54	119.54	119.54
28 OIL & GAS (17)	100.00	-1.0	7.95	4.54	15.52	120.21	120.21	120.21	120.21	120.21
29 200 SHARE INDEX (200)	100.00	-0.8	6.92	3.54	18.13	120.88	120.88	120.88	120.88	120.88
30 FINANCIAL GROUP (119)	100.00	-0.8	6.92	3.54	18.13	121.55	121.55	121.55	121.55	121.55
31 Banks (8)	100.00	-0.8	6.92	3.54	18.13	122.22	122.22	122.22	122.22	122.22
32 Insurance (Life) (5)	100.00	-1.8	-	-	-	122.89	122.89	122.89	122.89	122.89
33 Insurance (Non-life) (7)	100.00	-0.7	-	-	-	123.56	123.56	123.56	123.56	123.56
34 Insurance (Composite) (7)	100.00	-0.7	-	-	-	124.23	124.23	124.23	124.23	124.23
35 Insurance (Brokers) (8)	100.00	+0.1	9.83	4.66	14.18	124.90	124.90	124.90	124.90	124.90
36 Merchant Banks (12)	100.00	-0.5	6.98	3.64	16.96	125.57	125.57	125.57	125.57	125.57
37 Property (48)	100.00	-1.5	3.49	2.27	35.00	126.24	126.24	126.24	126.24	126.24
38 Other Financial (27)	100.00	-0.6	5.83	2.64	21.91	126.91	126.91	126.91	126.91	126.91
39 Investment Trusts (88)	100.00	-0.3	2.05	-	-	127.58	127.58	127.58	127.58	127.58
40 Mining Finance (2)	100.00	-1.4	6.76	2.60	21.49	128.25	128.25	128.25	128.25	128.25
41 Overseas Traders (10)	100.00	-0.6	6.98	3.64	16.96	128.92	128.92	128.92	128.92	128.92
42 ALL-SHARE INDEX (719)	100.00	-0.8	6.92	3.54	18.13	129.59	129.59	129.59	129.59	129.59

FIXED INTEREST

PRICE INDICES	Thursday October 15 1987					Highs and Lows Index				
	Index No.	Day's Change	Est. Earnings (pence)	Gross Div. Yield (%)	Est. P/E Ratio	Index No.	Index No.	Index No.	Index No.	Index No.
1 British Government	119.91	-0.28	128.15	-	9.43	120.58	120.58	120.58	120.58	120.58
2 5-15 years	119.91	-0.28	128.15	-	9.43	120.58	120.58	120.58	120.58	120.58
3 Over 15 years	119.91	-0.28	128.15	-	9.43	120.58	120.58	120.58	120.58	120.58
4 Irredeemables	119.91	-0.28	128.15	-	9.43	120.58	120.58	120.58	120.58	120.58
5 All stocks	119.91	-0.28	128.15	-	9.43	120.58	120.58	120.58	120.58	120.58
6 Index-Linked	119.91	-0.28	128.15	-	9.43	120.58	120.58	120.58	120.58	120.58
7 5 years	119.91	-0.28	128.15	-	9.43	120.58	120.58	120.58	120.58	120.58
8 Over 5 years	119.91	-0.28	128.15	-	9.43	120.58	120.58	120.58	120.58	120.58
9 All stocks	119.91	-0.28	128.15	-	9.43	120.58	120.58	120.58	120.58	120.58
10 Preference	119.91	-0.28	128.15	-	9.43	120.58	120.58	120.58	120.58	120.58

CONSTITUENT CHANGES: Low International (29) and River Plate (71) have been deleted. Redwood Group (13) has been inserted.

Equity sections or groupings	Index	Day's Change	Est. Earnings (pence)	Gross Div. Yield (%)	Est. P/E Ratio	Index	Day's Change	Est. Earnings (pence)	Gross Div. Yield (%)	Est. P/E Ratio
Agencies	301/286	114.07				Overseas Traders	31/2/74	100.00		
Engineering	301/287	114.07				Mechanical Engineering	31/2/74	100.00		
Telephone Network	301/284	51.72				Industrial Group	31/2/70	122.20		
Electronics	301/289	164.65				Other Financial	31/2/70	129.06		
Other Industrial Materials	31/2/80	65.43				Drugs & Medicines	31/2/77	114.13		
Other Industrial Products	31/2/77	26.71				Food Retailing	29/1/76	114.13		
Other Groups	31/2/74	63.75				Insurance Brokers	29/1/26	96.67		
						Mining Finance	29/1/26/7	100.00		
						Debt & Loans	31/1/77	76.72		
						FT-SE 100 Index	30/1/263	1000.00		

INTL. COMPANIES & FINANCE

Unions in \$1.5bn bid for Santa Fe Southern

BY ANATOLE KALETSKY IN NEW YORK

THE UNIONISED employees of Santa Fe Southern Pacific, the second biggest US rail company, have made a formal offer to buy the 13,000-mile Southern Pacific railroad.

The offer, worth \$750m in cash plus more than \$800m in debt assumption, came in response to the government-ordered break-up of SFSP, which tried to merge two of the nation's biggest railway systems in 1983 and has been fighting legal battles against the Interstate Commerce Commission ever since.

SFSP finally abandoned its efforts to overcome the anti-trust objections in August and announced that it would sell

Southern Pacific, setting this weekend as the deadline for bids to be received.

Immediately after the plan to split the railways was announced, a consortium of 17 unions representing Southern Pacific's 25,000 employees announced that it was preparing an offer with the backing of Drexel Burnham Lambert, the leading Wall Street specialists in highly leveraged takeovers.

Although full details of the offer were not disclosed, the unions said that they would take over all Southern Pacific's debt and other liabilities, agree to cost savings, including cuts in labour costs, and pass back to Santa Fe certain of the tax cred-

its presently attached to the Southern Pacific unit.

The unions put the total 'economic value' of their offer at \$3.6bn, although the cash payment of \$750m and the \$800m of long-term debt which Southern Pacific currently has on its balance sheet, suggests that the financial value of the offer, not counting any wage concessions the union may be including in its calculations, will be around \$1.5bn.

The unions also said that Southern Pacific's management were submitting a separate, but 'parallel' offer to the SFSP board. The two groups said that they were still working towards making a joint offer for the railroad.

US cable TV groups in \$1.9bn share swap

By Our New York Staff

UNITED CABLE Television, the eighth largest US cable TV operator, has agreed to a merger with United Artists Communications, another big cable, cinema and real estate company, which is unrelated to the United Artists film production company.

The complex stock-exchange transaction will ultimately put the combined \$2bn business under the control of Tele-Communications, the rapidly growing giant of the US cable industry. United Cable and United Artists will both be merging into a new company called New-USA.

United Cable shareholders will exchange 1.05 UC shares for one share in New-USA, while United Artists shareholders will receive shares in the new company on a one-for-one basis. The combined company would be valued at around \$1.9bn at yesterday's stockmarket value of \$34.4 a share for United Artists and \$24.4 for United Cable.

Tele-Communications has been a controlling shareholder in United Artists since late 1986, and boosted its stake to 65 per cent last summer. UA Communications traces its roots back to 1926, when it was spun off as a cinema chain from the original United Artists studio.

Tele-Communications also said yesterday that it had bought 23.4 per cent of United Cable. The share exchange will give Tele-Communications a stake of just under 50 per cent in the combined New-USA.

Tele-Communications has 4.2m basic cable and 2.6m pay-television subscribers. New-USA will have about 2m subscribers, the companies said.

Stefanel placing over-subscribed

By Alan Friedman in Milan

A DEBUT L136bn (\$104.6m) equity issue for Stefanel, the Italian casual clothing producer, has been oversubscribed both in Italy and London.

The issue, which places 25 per cent of the company in public hands, saw 37.5 per cent of the shares (equal to \$39.2m worth) placed by means of a Euro-equity placing led by Swiss Bank Corporation in London. The Euro-tranche was oversubscribed 15 times. The Italian end of the issue was led by Mediobanca, the Milan merchant bank.

This year Stefanel is forecasting a net profit of L136bn on sales of L220bn, which compares with last year's net profit of L177.2bn on L178bn of sales.

SCA clarifies share issue

By Sara Webb in Stockholm

SVENSKA CELLULOSA (SCA), one of the leading Swedish forest products groups, has clarified details concerning its forthcoming share issue.

Shareholders of capital stock will be offered one new share for every 20 held at SKr200 per share.

Holdings of restricted shares and Swedish citizens who hold unrestricted shares will receive one restricted share for every 20 held. However, foreign investors who hold unrestricted shares will receive one unrestricted share for every 20 shares held.

This first stage will raise up to SKr500m. In the second stage, aimed at raising a further SKr500m, up to 1.6m unrestricted shares will be offered in the US.

The offering to existing shareholders will not be available to shareholders in the US as their subscription rights will be sold and they will receive the proceeds from the sale.

Reebok

Yesterday's Page 1 Business Summary report on Reebok International wrongly stated that the company announced a drop in third-quarter profits. As the item later made clear, net earnings rose 10.2 per cent to \$48.7m.

REIL in control at Wormald

BY BRUCE JACQUES IN SYDNEY

REIL CORPORATION, the entrepreneurial Australian investment group, has emerged with potential control of Wormald International, a manufacturing conglomerate capitalised at around \$470m (\$353.5m), following a complex deal with Mr Lee Ming Tee, Wormald's chairman.

The deal, which has been anticipated in share markets, marks Wormald's second major shareholding change in as many years, with Mr Lee winning control of the group in 1986.

REIL, a fast-expanding group headed by Mr Phillip Cave, has made agreements which will

see it purchase, subject to shareholders' approval, a 40 per cent interest in Wormald. This would rise to 47 per cent under a related options deal.

The first step is for REIL to acquire rights to 14 per cent of Wormald's capital from outside interests. REIL will take further rights to lift its shareholding to 17 per cent and the Wormald board will recommend that shareholders approve the acquisition by REIL of a further 23 per cent from Sunshine Australia, the company's affiliate.

Wormald will also issue 50m options to REIL exercisable at yearly intervals. Mr Lee, who

will remain chairman of Wormald, said the deal would provide significant benefits to the company and was a logical extension of the restructuring he had initiated.

Mr Lee has restructured the company's capital base, replacing short term debt with a mixture of long term paper and equity. He has also divested assets worth more than \$100m.

Mr Cave said he planned further development of the group which has one third of its assets in each of Australia, Europe and the UK. Its main activities include fire protection, security products and precision equipment.

United Tech extends recovery

BY OUR FINANCIAL STAFF

THE RECOVERY at United Technologies, the Hartford-based high technology products group, has continued to pace with third-quarter earnings advancing by 51 per cent to \$165m, or \$1.28 a share, from \$108.2m, or 80 cents, in the corresponding 1986 period.

This has boosted nine-month profits to \$419.2m, or \$3.20, representing an increase of 39 per cent on the \$300.7m, or \$2.17, registered at the same stage last year.

Earnings for 1986 were depressed by huge write-offs for

restructuring and employee reductions and losses for certain defence contracts. Last year's nine-month period includes a net loss of \$90m, or 75 cents a share, from estimated shortfalls at the group's Norden Systems unit.

Revenues for the latest nine months improved by 10 per cent, to \$12.44bn from \$11.27bn, with the third quarter generating \$4.21bn against \$3.65bn.

The group, which is a leading manufacturer of commercial and military aircraft jet engines and helicopters, said the latest

results were led by strong performances at Pratt and Whitney, the automotive group, and Essex, a manufacturer of wire and cable.

The group added that the order backlog increased to \$14.5bn at September 30, from \$13.4bn a year earlier.

In 1986, net earnings plunged to \$48m, or 36 cents a share, from \$658m, or \$4.58, previously on income of \$15.67bn against \$14.97bn.

Wall Street is looking for earnings of about \$4.50 a share for the whole of 1987.

Lockheed finds the going tough

BY OUR NEW YORK STAFF

LOCKHEED, the West Coast defence contractor which is struggling with a decline in orders, reported a 12.2 per cent fall in third-quarter earnings to \$101m, or \$1.52 a share, on a marginal increase in sales.

The California group, which has been the subject of fiscal takeover speculation this year, said that earnings were cut by a \$9m charge to cover losses on the closing of its loss-making Seattle shipyard. Without the shipbuilding losses in either

period, earnings would have fallen from \$116m to \$110m.

Sales, which include a peak contribution from the large C-5B military transport aircraft programme, were \$2.71bn against \$2.57bn in the 1986 September quarter.

Earnings at the nine-month stage were \$287m, or \$4.33 a share, against \$286m, or \$4.51m a share. Excluding the shipbuilding operations, earnings were little changed at \$286m at the first nine months. Sales

were \$2.11bn against \$2.33bn.

But for bouts of takeover fever, Lockheed has been out of favour with Wall Street for two years because of doubts that the company can develop a business to replace the vast six-year C-5B programme which runs out sharply in 1989.

Already at the end of September, Lockheed's funded order book was down to \$3.7bn as against \$9.6bn at the end of 1986.

Profits up 26% at Nintendo

By Ian Rodger in Tokyo

PRE-TAX profits of Nintendo, the leading Japanese video games group, rose 26 per cent to ¥48.5bn (\$341.5m) in the year to August 31, thanks mainly to a tripling of exports of the company's Family Computer to the US.

Group sales rose 19 per cent to ¥140.2bn, despite a 7.3 per cent decline in domestic sales, and net profit was up 52.8 per cent to ¥24.5bn. The annual dividend was raised ¥8 to ¥48.

Pre-tax profit grew 26.7 per cent to ¥48.6bn on sales of ¥144.5bn.

The group forecast that shipments to the US of its Family Computers, which are used in conjunction with a television set mainly to play video games, would reach 4.6m units this year.

Bergen Bank's earnings ahead at operating level

BY KAREN FOSSLI IN OSLO

BERGEN BANK, Norway's third-largest bank, increased its operating profit in the first eight months by Nkr56m to reach Nkr68m (\$60m) before loan-loss provisions and recorded losses, compared with the same period last year.

Earnings per share, however, declined to Nkr51.50, compared with Nkr59 for the same period in 1986. The bank's operating profit - measured in relation to average equity - also slipped to 23.8 per cent compared with 28.4 per cent in last year's eight-month period.

Bergen Bank saw a strong growth in total assets and a substantial increase in its share capital. Total assets for the bank rose by 53 per cent to Nkr783m.

In this period lending increased by 27 per cent to Nkr43bn. Deposits from non-

bank customers increased to Nkr25bn, up 7 per cent. Net interest income as a percentage of total assets also declined in 1987, from 3.08 per cent to 2.85 per cent.

Bergen Bank augmented earnings, however, by Nkr49m to reach Nkr579m, in foreign exchange activities, and by trading in shares and bonds.

For 1987, total losses are expected to be somewhat above the 1986 level, reaching 0.6 to 0.7 per cent of lending which will amount to Nkr300m to Nkr350m.

The Bergen Bank group, which comprises the bank's wholly and partly-owned companies within the financial sector, is operating profit of Nkr783m, before provisions for losses, compared with Nkr781m in 1986.

Japanese retailers have strong first half

BY STEFAN WAGSTYL IN TOKYO

JAPANESE DEPARTMENT store and supermarket chains have reported strong increases in interim sales and profits for the six months to the end of August, due largely to a surge in consumer spending.

Stock market analysts said yesterday that the results were generally even better than had been expected and the outlook for the rest of the year was good.

Sales of summer clothing were particularly strong, thanks to a long, hot summer - as were sales of furniture and home appliances, which were buoyed by a continuing surge in house building and renovation.

Luxury imported goods also sold well.

Supermarkets continued to gain ground at the expense of small, privately-owned shops which have retained a much larger position in the market in Japan than in most other industrialised countries.

Among department store groups, Mitsukoshi, the market leader, scored the biggest increases in sales and pre-tax

JAPANESE RETAIL RESULTS in Ybn (percentage changes)

DEPT STORES	Sales	Pre-tax profit	Net profit
Mitsukoshi	306.2 (+4.1)	2.8 (+10.3)	1.4 (+25.4)
Takashimaya	264.8 (+5.4)	7.2 (+24.1)	3.9 (+32.4)
Daimaru	250.3 (+1.5)	1.4 (+1.5)	1.0 (+5.3)
Matsuzakaya	185.1 (+2.6)	3.7 (+6.7)	1.8 (+7.5)
Sogo	116.8 (+3.7)	3.3 (+10.9)	1.7 (+19.7)
SUPERMARKETS			
Daiso	754.3 (+6.3)	9.6 (+9.3)	3.3 (+4.7)
Daikoku	506.2 (+5.5)	2.2 (+20.5)	1.0 (+20.5)
Seiyu	424.4 (+5.6)	4.8 (+7.7)	2.2 (+10.2)
Jusco	381.7 (+3.9)	10.3 (+8.3)	5.0 (+7.5)
Nichii	278.1 (+0.2)	8.1 (+7.8)	4.7 (+15.9)
Uny	218.8 (+4.4)	7.3 (+4.2)	4.2 (+11.5)

profits, thanks to good sales of high-margin luxury items and careful cost control. For the year as a whole, the company has taken a much higher proportion of its tax charge than before in the first half. The year-end result is expected to be in line with last year's.

Daimaru's operating profits were depressed by the costs of

remodeling three stores - but the pre-tax level did not show this because the costs were offset by successful financial market investments. Most stores use their strong cash flows for such investments, though they are known as conservative investors.

Of the major supermarket chains, Ito-Yokado saw the largest increase in pre-tax profits, due partly to profitable financial investments, though also to a cut in costs brought about by the installation of electronic point-of-sale systems.

The company expects full-year sales to be 10 per cent higher, hitting over ¥1,000bn (\$7m) for the first time, and pre-tax profit to be 7.5 per cent up, though analysts say the profits forecast is characteristically conservative.

Daiso, the largest chain, expects full-year profits of ¥21bn, up 8.9 per cent on sales ¥1,530bn, up 5.8 per cent.

US MARKETS

AGAINST a background of reports of heightened tension in the Middle East and a further sharp fall in the New York stock exchange, precious metals continued steady with mixed trade, commission house and local buying, reports Drexel Burnham Lambert. Stops were touched off to help the advance.

Copper, too, held firm, reacting to the strength in the precious metals as well its fundamental strength. Crude oil broke resistance levels as reports of tension in the Gulf prompted mixed buying which touched off stops. The soft were, by comparison, lacklustre. Coffee rallied on local buying then fell as they liquidated. Cocoa hovered above contract lows following earlier speculative selling which failed to overcome industry support. Sugar rallied on trade and commission house buying which touched off stops to take the market to the highs. Cotton fell on trade selling but towards the close scale-down trade buying held the decline. Orange juice fell on commission house and trade selling. The grains were quiet, easing across the board on hedge pressure and perhaps reflecting the US Government's lowering of its selling price. Only nearby soybean contracts were firm. Cattle futures fell on long-liquidation as the market reacted to recent strength, while hogs and pork bellies came under pressure as cash prices continued to erode.

COCOA 10 tonnes: \$/tonnes

	Close	Prev	High	Low
Dec	124.52	124.74	125.15	124.80
Mar	124.46	124.70	125.30	124.40
May	124.50	124.70	125.30	124.50
July	124.50	124.70	125.30	124.50
Sept	124.50	124.70	125.30	124.50
Nov	124.50	124.70	125.30	124.50
Dec	124.50	124.70	125.30	124.50
Mar	124.50	124.70	125.30	124.50

COFFEE "C" 37,500 lbs: cents/lb

	Close	Prev	High	Low
Dec	38.25	37.85	37.85	37.85
Mar	38.25	37.85	37.85	37.85
May	38.25	37.85	37.85	37.85
July	38.25	37.85	37.85	37.85
Sept	38.25	37.85	37.85	37.85
Nov	38.25	37.85	37.85	37.85
Dec	38.25	37.85	37.85	37.85
Mar	38.25	37.85	37.85	37.85

COTTON 50,000 lbs: cents/lb

	Close	Prev	High	Low
Dec	68.75	68.14	68.14	68.14
Mar	68.75	68.14	68.14	68.14
May	68.75	68.14	68.14	68.14
July	68.75	68.14	68.14	68.14
Sept	68.75	68.14	68.14	68.14
Nov	68.75	68.14	68.14	68.14
Dec	68.75	68.14	68.14	68.14
Mar	68.75	68.14	68.14	68.14

CRUDE OIL (LIGHT) 42,000 US Gallons: \$/barrel

	Close	Prev	High	Low
Dec	20.27	19.71	20.38	19.85
Mar	20.27	19.71	20.38	19.85
May	20.27	19.71	20.38	19.85
July	20.27	19.71	20.38	19.85
Sept	20.27	19.71	20.38	19.85
Nov	20.27	19.71	20.38	19.85
Dec	20.27	19.71	20.38	19.85
Mar	20.27	19.71	20.38	19.85

GOLD 100 troy oz: \$/troy oz

	Close	Prev	High	Low
Dec	472.7	464.2	467.5	467.5
Mar	472.7	464.2	467.5	467.5
May	472.7	464.2	467.5	467.5
July	472.7	464.2	467.5	467.5
Sept	472.7	464.2	467.5	467.5
Nov	472.7	464.2	467.5	467.5
Dec	472.7	464.2	467.5	467.5
Mar	472.7	464.2	467.5	467.5

HEATING OIL 42,000 US Gallons: cents/US gallon

	Close	Prev	High	Low
Dec	67.00	66.00	66.00	66.00
Mar	67.00	66.00	66.00	66.00
May	67.00	66.00	66.00	66.00
July	67.00	66.00	66.00	66.00
Sept	67.00	66.00	66.00	66.00
Nov	67.00	66.00	66.00	66.00
Dec	67.00	66.00	66.00	66.00
Mar	67.00	66.00	66.00	66.00

ORANGE JUICE 15,000 lbs: cents/lb

	Close	Prev	High	Low
Dec	146.00	146.00	146.00	146.00
Mar	146.00	146.00	146.00	146.00
May	146.00	146.00	146.00	146.00
July	146.00	146.00	146.00	146.00
Sept	146.00	146.00	146.00	146.00
Nov	146.00	146.00	146.00	146.00
Dec	146.00	146.00	146.00	146.00
Mar	146.00	146.00	146.00	146.00

PLATINUM 50 troy oz: \$/troy oz

	Close	Prev	High	Low
Dec	571.5	567.5	568.5	568.5
Mar	571.5	567.5	568.5	568.5
May	571.5	567.5	568.5	568.5
July	571.5	567.5	568.5	568.5
Sept	571.5	567.5	568.5	568.5
Nov	571.5	567.5	568.5	568.5
Dec	571.5	567.5	568.5	568.5
Mar	571.5	567.5	568.5	568.5

SILVER 5,000 troy oz: cents/troy oz

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 15 1987					WEDNESDAY OCTOBER 14 1987					DOLLAR-INDEX	
	US Dollar Index	Day's Change	Pound Sterling Index	Local Currency Index	Gross Bils. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 Low	1987 High	Year ago Opening	
Figures in parentheses show number of stocks per grouping												
Australia (91)	165.39	-0.9	147.32	150.98	2.60	166.95	149.69	153.68	160.61	93.92	89.47	
Austria (18)	102.76	+0.3	90.64	95.19	2.17	101.45	90.96	95.49	102.87	95.95	96.46	
Belgium (485)	140.75	-2.5	107.56	112.57	4.21	123.90	111.09	115.65	124.89	96.19	89.65	
Canada (129)	129.00	-1.2	114.90	121.48	2.46	130.51	117.02	123.42	141.78	100.00	97.57	
Denmark (28)	121.29	-0.8	106.03	113.95	2.57	123.85	107.26	115.06	128.83	98.18	95.38	
France (122)	162.08	-3.3	148.22	153.41	2.95	162.00	91.90	97.60	162.00	98.00	97.60	
West Germany (93)	99.03	-0.5	88.20	92.70	2.04	100.25	93.03	94.69	104.93	84.00	94.87	
Hong Kong (46)	152.46	-1.2	135.80	152.74	3.18	152.83	107.13	153.18	158.68	96.89	99.09	
Ireland (34)	156.26	-2.1	139.18	146.79	3.50	159.65	115.15	151.64	160.22	99.50	90.75	
Italy (95)	96.70	-0.3	86.13	93.95	2.00	97.01	95.11	95.11	96.70	96.70	100.00	
Japan (458)	151.51	-0.8	134.95	139.09	0.50	152.71	136.92	137.70	161.26	99.50	98.63	
Malaysia (36)	176.38	-0.5	170.00	172.37	2.12	177.20	158.08	175.83	193.64	98.24	97.49	
Mexico (14)	364.36	-5.4	374.53	360.37	0.47	365.01	345.21	367.25	422.59	99.72	76.80	
Netherlands (37)	118.79	-0.5	105.55	109.54	2.07	118.79	108.08	112.13	131.31	99.65	96.25	
New Zealand (23)	129.33	+0.1	115.20	105.95	2.78	129.15	115.80	107.33	129.33	99.79	98.79	
Norway (24)	179.32	-1.0	159.72	160.52	1.69	181.10	162.38	162.67	185.01	100.00	103.71	
Singapore (27)	169.65	-0.2	151.11	163.51	1.51	170.04	152.45	164.12	174.28	99.29	102.99	
South Africa (61)	187.78	-0.7	167.28	166.49	2.00	187.49	168.07	178.09	198.09	99.89	99.89	
Spain (43)	163.56	-0.2	145.69	146.40	2.71	163.90	156.95	149.06	168.06	100.00	98.75	
Sweden (38)	134.67	-1.1	119.95	126.30	1.81	136.20	122.12	128.24	136.64	90.85	99.05	
Switzerland (53)	110.14	-0.8	98.10	101.71	1.62	111.00	99.52	103.36	111.11	92.01	96.06	
United Kingdom (335)	141.10	-0.2	141.10	141.10	1.19	141.73	142.32	142.32	142.32	99.45	99.45	
USA (564)	122.97	-0.3	106.63	122.97	9.04	128.88	111.97	124.88	137.42	100.00	99.82	
Europe (952)	127.27	-0.7	113.30	116.47	2.84	124.14	114.90	118.09	130.02	100.00	98.26	
Europe Pacific (681)	151.95	-0.8	135.58	138.98	0.68	153.13	137.30	138.56	158.77	100.00	99.87	
Pacific - Pacific (1633)	142.11	-0.8	128.34	126.74	1.45	143.19	128.39	130.40	143.65	100.00	93.87	
Pacific America (713)	142.11	-0.8	128.34	126.74	1.45	143.19	128.39	130.40	143.65	100.00	93.87	
Europe Ex. UK (617)	107.80	-1.2	96.02	101.03	2.52	109.14	97.86	102.92	111.97	98.02	96.49	
Pacific Ex. Japan (223)	157.63	-0.6	140.92	147.67	2.73	158.54	142.16	149.36	164.03	99.92	89.44	
World Ex. US (857)	126.72	-0.6	126.72	126.72	1.51	143.37	126.85	135.51	143.38	100.00	94.04	
World Ex. US (1633)	132.67	-1.3	117.43	125.10	1.91	132.73	127.59	138.22	143.22	100.00	96.32	
World Ex. UK, Ex. (2360)	134.04	-1.3	119.39	126.48	2.03	135.85	121.81	128.59	139.47	100.00	98.18	
World Ex. Japan (1263)	126.20	-1.4	112.41	121.78	2.93	128.29	115.03	124.12	134.22	100.00	97.62	
The World Index (9421)	134.39	-1.3	119.70	126.59	2.04	136.18	122.11	128.69	139.73	100.00	96.20	

Base values: Dec 31, 1986 = 100
Copyright, The Financial Times, Goldman, Sachs & Co., Woolf Mackenzie & Co. Ltd. 1987
Agreements to indices for October 14 applied to the following: Denmark, France, Spain, Sweden, Europe, Euro-Pacific, Europe Ex. UK, World Ex. US, World Ex. UK, World Ex. South Africa, World Ex. Japan and
The World Index.
Latest prices were unavailable for this edition

BANK RETURN

BANKING DEPARTMENT		Wednesday October 31, 1987	Increase (+) or decrease (-) for week
ASSETS			
Cash	\$	14,593,000	—
Time Deposits	\$	96,137,136	—
Other Deposits	\$	1,000,342	+ 1,865,689
Other Assets	\$	5,366,353	+ 364,987,170
	\$	3,378,198,313	+ 242,561,690
LIABILITIES			
Government Securities	\$	759,173,182	+ 275,405,000
Finance and other Accounts	\$	901,564,483	+ 275,954,234
Other Liabilities	\$	1,706,068,648	+ 282,886,125
Other Securities	\$	10,256,466	+ 1,265,377
	\$	255,311	+ 10,315
	\$	3,171,940,313	+ 242,561,690
ISSUE DEPARTMENT			
ASSETS			
Cash	\$	13,189,443,518	—
Time Deposits	\$	10,556,482	+ 6,243,377
Other Assets	\$	13,800,000,000	+ 40,000,000
	\$	13,800,000,000	+ 40,000,000
LIABILITIES			
Government Debt	\$	12,015,100	—
Other Government Securities	\$	10,173,657,109	+ 1,228,079,238
Other Securities	\$	3,015,327,791	+ 1,264,074,331
	\$	13,200,000,000	+ 40,000,000

LEADERS AND LAGGARDS

Percentage changes since December 31 1986 based on
Thursday October 15 1987

Other Finance	-45.38	Oil and Gas	+43.70
Advertising and Printing	+80.61	All-Share Index	+42.42
Travel Traders	+71.19	Financial Group	+41.97
Food and Meat Processing	+61.76	500 Share Index	+41.74
Other	+61.76	Industrial Group	+41.07
Health and Household Products	+62.36	Other	+41.01
Construction	+67.89	Insurance (Life)	+41.02
Investment Banks	+54.33	Consumer Group	+40.34
Insurance	+51.51	Electronics	+39.26
Shipping and Transport	+50.03	Food Manufacturing	+38.76
Metals	+49.37	Mechanical Engineering	+37.71
Chemicals	+49.17	Investment Funds	+37.19
Services	+44.94	Commodities	+35.36
Other	+46.31	Stores	+35.44
Industrial Materials	+46.31	Food Retailing	+34.88
Mining and Paper	+44.67	Business and Outlets	+28.82
Capital Goods	+44.13	Telephone Networks	+27.29
Services	+43.78	Banks	+26.39
Other	+42.82	Insurance Brokers	+22.33

RISES AND FALLS

Funds	On Thursday			On the week*		
	Rises	Falls	Same	Rises	Falls	Same
Dom. and Foreign Bonds	0	218	27	218	207	161
Equities	1	32	35	35	44	141
Monies	238	742	601	1,689	2,049	2,906
Uncial and Props.	66	297	262	534	817	1,157
Commodities	28	2	38	9	177	186
Others	2	2	2	0	13	27
Totals	28	88	78	134	395	345
Percent	23	181	56	268	466	268
Percent	380	1,4%	1,083	2,979	4,066	4,765

BASE LENDING RATES

%	%	%
● Chlorochem Bank	70	First Bk. of Miami 20
Citibank NA 20		Northwestern 20
City Merchants Bank 20		Northwest Bank Ltd. 20
Clydebank Bank 20		Parsons Bank 20
Com. Bk. N. H. 20		Peoples East. Trust 20
Continental Com. Bank 20		Prudential Trust Ltd. 20
C-operative Bank 20		R. Highland & Sons 20
Cypress Capital Bk. 20		Seaboard's Commerce 20
Deane Lumber 20		Seaford Bk. of Scotland 20
Essex Trust 70½ % 20		First Trust Bank 20
Exeter Trust Bank 20½		Stark & Williams Sec. 20
Financial & Gen. Bk. 20		St. Vincent & the Grenadines 20
First Nat. Fin. Corp. 20		TSB 20
First Nat. Fin. Corp. 21		UFG Mortgage Exp. 21
Robert Fleming & Co. 20		United Bk. of Kuwait 20
Robert Porter & Phipps 21		United National Bank 20
Grindley 20		Unity Trust PLC 20
Grindley Bank 20		W. & A. Morgan 20
Halifax Bank 20		Westpac Bank Corp. 20
HFC Trust & Savings 20		Whitbread Ltd. 20
Hamro Bank 20		Yorkshire Bank 20
Heritable & Gen. Tr. 20		

NORTHERN IRELAND

**The Financial Times
proposes to publish a Survey
on the above on
Thursday, December 3, 1987**

Topics proposed for discussion include:

OVERVIEW	ENERGY
INDUSTRY	RETAIL PROPOSALS
THE ECONOMY	COMMUNICATIONS
INDUSTRIAL DEVELOPMENT	POLITICS
BANKING & FINANCE	TOURISM
COMPUTER SOFTWARE	AGRICULTURE
SMALL BUSINESS	

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LONDON · FRANKFURT · NEW YORK

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1793/1801	-6	Oct 2279/86	-9	Oct 2332/40	-
1815/22	-6	Dec 2304/11	-9	Dec 2349/56	-

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**AUTHORISED
UNIT TRUSTS**

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15

Continued on next page

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19

MINES—Continued

MINES—Continued									
1967		Stock		Price	+ or -	Div. Yr.	Yr. %	C	V
High	Low	High	Low						
127	127	Minerals Int'l Inc.	145	1.99					
128	124	Nujala Mines Inc.	11	1.99					
129	51	Osaka Mining Inc.	20c	1.99					
130	24	Placer Dome Inc.	19	65	02	2.2	2		
131	71	Placer Dome Inc.	25c	65					
132	86	Placer Dome Inc.	25c	65					
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		Ins	1200-6-15	
135	10	Wayne Mtn SMT	117	0.7
136	30	Greene	128	
137	50	Reserve Bldg M30.50	130	
138	50	Reserve Bldg M30.50	130	
139	85	33	130	
140	85	33	130	
141	105	Metastasis Mtn. 10c	135	2.8
142	105	Metastasis Mtn. 10c	135	2.8
143	110	Tronessy 10c	140	
144	110	Tronessy 10c	140	
145	210	Tronessy 10c	240	0.8

Miscellaneous				
146	73	Quartzite-Denver	73	
147	21	Metastasis Mtn. 10c	115	0.7
148	115	Metastasis Mtn. 10c	115	0.7
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THIRD MARKET[illegible]

Tech. Sp. 179
 179
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[illegible]

was increased or resumed.

Higns and Lapsi Insurance rates have been increased to insure for 10 years.
 Interim taxes increased or removed.
 Minimum salaries for directors, officers and directors.
 Two-year to non-residents on Application.
 Figures or report available.
 Minimum capital required, including permitted under Rule 535(a) of
 U.S. Securities and Exchange Commission, and not subject to
 minimum degree of regulation as listed companies.
 Minimum in under 100.
 Price at time of suspension.
 Indicated dividend after pending for prior rights listed.
 Change in previous dividend.
 Minimum per corporation in progress.
 Not comparable.
 Minimum per corporation (and/or reduced earnings) listed.
 Statement dividend; can earn earnings updated by letters in
 forward.
 Change in conversion of shares to new ranking for shares or
 randomly only for restricted dividend.
 Change not allow for shares which may give rise for dividend.
 No pay value.
 Treasury Bill rates unchanged until maturity of stock. A number

full capital, e Redemption yield, f Flat yield, g Assumed dividend and yield after 10 years, h Assumed dividend and yield after 20 years, i Assumed dividend and yield after 30 years, j Assumed dividend and yield after 40 years, k Assumed dividend and yield after 50 years, l Assumed dividend and yield after 60 years, m Assumed dividend and yield after 70 years, n Assumed dividend and yield after 80 years, o Assumed dividend and yield after 90 years, p Assumed dividend and yield after 100 years, q Assumed dividend and yield after 110 years, r Assumed dividend and yield after 120 years, s Assumed dividend and yield after 130 years, t Assumed dividend and yield after 140 years, u Assumed dividend and yield after 150 years, v Assumed dividend and yield after 160 years, w Assumed dividend and yield after 170 years, x Assumed dividend and yield after 180 years, y Assumed dividend and yield after 190 years, z Assumed dividend and yield after 200 years.

[illegible]

REGIONAL & IRISH STORES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter quoted in Irish currency.

Albury Inc. (L)	98	Fin. 13s. 97/02	£1094
Craig & Rose (L)	116	Arrests	370
Fisher (L)	143	CPI Index	94
Heal (L)	£114 1/2	Carroll Index	190
Heal (L) (L)	141 1/2	Castle Gate	636
Heal (L) (L)	353	Hall (R. & H.)	175
		Heath Hedges	72
		Heath Hedges	105
		Heath Hedges	345
		Heath Hedges	448

R225H
 Panel 114 1/2 1986
 Mat. 14 1/2 1989

TRADITIONAL OPTIONS

3-month call rates

Underlyings	0	NEI
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62	P & O Dtd
50	Plessey
17	Poliv Pack

BAT	67	P & O Dns
BBC Grp	62	Pressco
BSL	17	Polly Pkct
BTR	16	Racal Elect
Babcock	52	RHM
Bancroft	36	Rank Org Ord
Beecham	52	Reed Intnl
Blue Circle	52	STC
Bloem	36	Sears
Bowaters	50	TSI
Brit Aerospace	50	Tenax
BT	25	Tenax
Burton Ord	32	Thorn EMI
Caebury	32	Thorn Hous
Cherwell Cars	36	TGN
Comm Union	36	Unilever
Courtauld	46	Vickers
ENEC	46	Wellcome
Enr Accident	22	Wright
GEC	22	Brit Land
Glasco	200	Land Securities
Gramp Met	50	MEPC
ICI	125	MEPC

30	Brit Petroleum
17	Britoil
58	British Oil

Hanson Tst.	17	Brit. Petroleum
Hawker Sidd.	58	Britnial
ICI	125	Burmah Oil
Imperial	30	Charterhall
Lafarbank	45	Premier
Legal & Gen.	32	Shell	12
Leit Service	65	Triesteval
Lloyds Bank	36	Uthman
Lucas Inds.	75	Mines
Marks & Spencer	46	Cres. Gold	12
Midland Ry.	49	Lauria
Morgan Grenfell	55	Rio T. Zinc	10

A selection of Options traded is given on the London Stock Exchange Report Page.

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Saturday October 17 1987



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Indians capture Tamil stronghold

BY MERVYN DE SILVA IN COLOMBO AND JOHN ELLIOTT IN NEW DELHI

THE SRI LANKAN town of Urumpirai five miles from Jaffna city fell to Indian troops yesterday, according to an Indian official in Colombo.

Some of the fiercest fighting of the last week's battles between Indian soldiers and Tamil Tiger guerrillas struggling for control of the northern Jaffna peninsula has erupted around Urumpirai. The Indians said yesterday that the final stages of the battle for the town involved house-to-house fighting.

The official death toll, which the Indians are widely thought to be understating, is now 65 Indian soldiers dead and 280 injured in Jaffna and more than 200 dead in Batticaloa, in the eastern region. Guerrilla losses

are reported to be more than 350, of whom 111 died in the battle for Urumpirai.

The whereabouts of Mr Vellupillai Prabhakaran, leader of the Tamil Tigers, remained a mystery last night. Earlier in the week, the Indians said he was in Urumpirai but there was no confirmation of this after the town was taken.

India rejected a call for a ceasefire sent by Mr Prabhakaran in a telegram to Mr Rajiv Gandhi, the Indian Prime Minister. New Delhi said this was because, as in earlier communications, surrender of all the Tigers' arms had not been offered.

All roads leading to Jaffna are now controlled by Indian troops. About 50,000 of the city's 150,000 civilians are thought to

be still there. The Indians claim the Tigers have been using women and children as human shields, but such claims cannot be verified because journalists have been barred from the battle zone.

Tamil groups in Colombo have received reports of acute food shortages, a total breakdown of the water services and sewage system and serious damage by artillery fire to the Jaffna hospital, the only medical centre in the peninsula. All operations, including the most urgent, were said to have been abandoned.

India's Vietnam nightmare, Page 3
Editorial Comment, Page 5; Wall Street, Page 11

Barclays Bank launches share service

By Hugo Dixon

BARCLAYS BANK branches will start a stockbroking service from Monday to take advantage of the boom in share ownership unleashed by the Government's privatisation programme.

It will be making the most ambitious attempt so far by a bank to combine investment advice with the buying and selling of shares for mass-market customers.

Customers will be able to see an up-to-date valuation of their share portfolios, buy and sell shares and receive advice over the telephone from Barclayshare, the bank's retail stockbroking arm based in Watford.

Branch staff will not be able to give their own advice on shares.

Customers will also be able to deal over the telephone direct with Barclayshare, which can provide advice.

To use the service, either a current account or a special investment account will need to be held with Barclays. All shares will be held in nominee accounts to simplify the settlement of transactions.

Two services will be offered: a no-frills share-dealing service for a £20 a year subscription; and a full advisory service, which will cost £50 a year.

The service will start in four branches on Monday. It will be extended to other branches as staff are trained, with the bank's main 2,000 branches offering the service by next

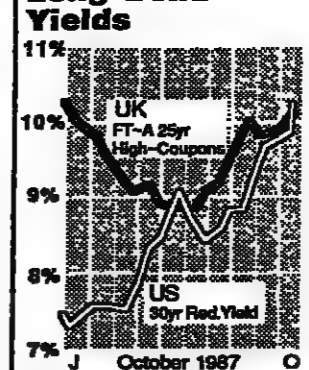
month. The bank has made the biggest push into high street share dealing by installing electronic systems in 945 of its branches which have been used for privatisation issues. The service has concentrated on transactions rather than giving advice.

FT Conference, Page 4

THE LEX COLUMN

Squalls over the Atlantic

Long Bond Yields



In the way that unnatural events accompany murders in Shakespeare, the stormy weather which kept trading in the London stock market to a minimum yesterday might have been a parallel to the turbulence in world securities markets. While it has been possible to push off the recent retreats in bond and equity markets as wobbles in a continued bull run the critical point has now been reached when talk of an approaching US recession, spreading through the rest of the world, has become serious.

On the positive side the major economies are still thriving while inflation is, by the standards of the 1970s, under remarkably tight control. The UK economy - as we are repeatedly told by the authorities - is in good shape. Japan has adjusted rapidly to the higher yen. And in the US one message of last week's trade figures is that domestic demand is strong.

The disturbing factor for a while has been the dollar's fall and its implications for other countries' inflation. But anxiety has been raised in recent days by signs of dissent among the leading nations as to how to handle the dollar's next move. Heavy intervention in the foreign exchange markets is clearly becoming distasteful to some G7 nations. They recognise that continued intervention, unless counteracted by tighter monetary policy, might jeopardise their low inflation. Thursday's response by the US Treasury Secretary to West Germany's suggestion of interest rate rises almost descended to squabbling.

What may now prove crucial to securities markets is the US Federal Reserve's handling of the renewed dollar weakness triggered by the mid-week trade figures. The Fed might succeed in bracing out the difficulty, making more rhetorical pronouncements that there is no need for an interest rate rise. If it can convince markets of that then a bounce would be in order. But if the Fed finds that it has to raise the discount rate, if only to sell more debt abroad to offset the trade deficit, then fears will grow of a strangling of the US economy leading to a recession. In that case the shift which has occurred from bonds to equities might start to reverse - and it is noteworthy that Merrill Lynch was yesterday recommending clients to begin that move.

In the UK the gilt-edged market, although suffering a rise in yields, has proved resilient in

the face of the US Treasury market's weakness. The alignment of long-dated yields in the two markets reflects not only a stronger currency but also better fundamentals in the gilt market, with yesterday's public borrowing figures just one example. As for equities, the question for Monday morning, after a virtual day-off yesterday, will be how far to follow the falls in Wall Street suffered on both Thursday and Friday.

Barclayshare
It is well over a year since Barclays disclosed its plan to enter the retail stockbroking business in a big way, but it seems that the delay had nothing to do with the continuing general uncertainty over whether the millions of new investors attracted by the privatisation "give-aways" can be converted into active long-term investors.

The delay is due to the 45 years of computer development time taken to refine the centralised back-office support systems and does not reflect any second thoughts. Barclays may have about what whether there is sufficient private-client business out there to justify its investment.

Barclays, like the other clearing banks, starts with a number of advantages over traditional stockbrokers. It is used to dealing with high volumes of transactions and has a huge network of high-street branches and a massive customer base. It is now adding an efficient and cheap sharedealing and advisory service. This could prove to be a powerful competitor for regional brokers, which rely heavily on private-client business. The absence through computerisation of share certificates, dividend mandates and stock-transfer forms may cause

some reservations, and it will not be able to match local brokers' recommendations about local shares. Where the bank has really stuck its neck out, though, is by entering the share-tipping business, also in a small way. The ability of its tipsters to beat the market may determine whether Barclays can generate the necessary volume to succeed in its ambitious venture.

Merck v Glaxo

This week Merck of the US produced third-quarter earnings up 37 per cent. Glaxo of the UK produced a rise of 24 per cent and its shares fell out of bed. So much for the resemblance between the two stocks which for the past year and more has been touted by brokers on both sides of the Atlantic.

The comparison, though, is hard to avoid. In terms of market capitalisation the two are the biggest pure drug companies in the world, with Merck standing at \$28bn and Glaxo at \$17bn - nearly \$21bn before announcing its figures on Monday. The two are similar in cultural terms, with their emphasis on prescription drugs and in-house research. What has been quite different through the 1980s is the growth pattern, with Merck sluggish and Glaxo spectacular. But that has started to reverse of late and this week finally saw the cross-over.

This is partly a matter of timing. With the ulcer drug Zantac starting to lose some of its momentum, Glaxo is spending heavily for the 1990s in developing new drugs for anxiety and migraine. Merck has gone through that stage and now has a clutch of new drugs on the market - an ACE-inhibitor for heart disease, a drug to fight cholesterol and an ulcer drug in direct competition to Zantac.

The two companies also differ in their handling of their cash mountains - about \$1.7bn for Merck and \$1bn for Glaxo. While Glaxo earns a meagre 8 per cent in the bond markets, Merck is buying back up to \$1bn-worth of its shares. Allowing for differences between the two markets it is not hard to see why Merck should be on a multiple about half again as high as that of Glaxo. Glaxo has an attractive research portfolio but a drug on the market is worth two in the lab.

New York financial trading remains feverish and volatile

BY ANATOLE KALETSKY IN NEW YORK

NEW YORK financial markets went through another feverish day of seesaw trading yesterday. After rising by about 10 points in early trading, the Dow Jones Industrial average fell by nearly 90 points before staging a partial recovery in mid-afternoon when it stood just over 90 points lower at 2295.

The volatile equity market trading reflected US investors' attempts to outguess each other and to answer the one important question: have Wall Street's recent alarming setbacks marked just a temporary correction, or do they represent the beginning of the end of the greatest bull market in 20 years?

After dropping 57.61 points on Thursday and a record 95.46 points on Wednesday, the Dow Jones Industrial average went down another 40 points to around 2,310 in heavy trading by lunchtime yesterday. Selling of computer-generated waves overwhelmed the market's repeated attempts to rally and

equity traders took no comfort from modest improvements in the foreign exchanges and bonds.

Both bond and stock markets opened modestly higher in New York during the morning, as a partial recovery in the relief that the recent rout on Wall Street had not been mirrored by similar dramas in Tokyo or Europe overnight.

With the Treasury's long bond opening about half a point higher than at Thursday's close and the dollar modestly up, especially against the yen, the Dow Jones Industrial Average began in positive territory and held a gain of around 10 points for about an hour.

It rapidly became apparent that buying interest was very strong, focused on the heavy chip shares. Wider stock market averages were down throughout the morning and eventually the Dow fell into step.

What the fall in the blue chip Dow index by mid-afternoon amounted to 2.5 per cent, the

Standard & Poor 500 index tumbled 11 points to just over 322, a 3.5 per cent drop - and declining stocks outnumbered gainers by almost two to one.

The bond market, by contrast, managed to hold its modest early morning gains. The long bond was up 3/4 of a point to 80 1/4 at lunchtime, while the dollar was quoted at ¥142.90 and DM1.8030, up almost a point against the yen and roughly unchanged against the DM.

However, some analysts warned that signs of bond prices bottoming out may not necessarily be bullish for the stock market.

Merrill Lynch, one of the largest brokers on Wall Street, issued a strategy statement noting bonds had become more attractive relative to stocks as a result of recent market movements. The company's strategists said they had raised the bond component in their recommended portfolio mix from 35 per cent to 40 per cent, while lowering the stock proportion from 45 per cent to 40 per cent.

Bundesbank council split over D-Mark interest rate policy

BY DAVID MARSH IN BONN

A SPLIT among West German monetary authorities, about the desirability of higher D-Mark interest rates, is widening as a result of the tightening of US credit markets.

Monetary officials said yesterday that the issue is centred on the policy-making council of the Bundesbank, the central bank. The council is finely balanced between members who want to tighten monetary policy to bring down the sharp expansion of the domestic money supply and those who want to keep interest rates on an even keel to prevent further upward pressure on the D-Mark.

The first faction has appeared to be growing in strength in

view of continued sharp overshooting, for the second year running, of the Bundesbank's money supply target. On latest figures the money supply is growing at an annual rate of 7.5 per cent, well above the 3 to 6 per cent target band.

The Finance Ministry yesterday rebuffed criticism from Mr James Baker, the US Treasury Secretary, that West Germany was responsible for US interest rate rises. It said Mr Baker's allegations would have to be examined "in tranquility".

The ministry hopes West German credit markets will calm down after this week's turbulence. Some money markets have climbed as a result of Bonn's

decision to impose a 10 per cent withholding tax on savings and securities investments from 1988. This measure was criticised on Thursday by Mr Karl Otto Foehl, the Bundesbank President.

Short-term Frankfurt interest rates have also risen this week with the Bundesbank lifting to 3.85 per cent from 3.75 per cent the rate at which it lends to banks under one-month repurchase agreements.

The Bundesbank blames the rate rise on a general tightening of credit markets and this week has attempted to dampen speculation that it is moving cautiously to tighten monetary policy.

Murdoch's wholesale shake-up

BY DAVID THOMAS

A DECISION by News International, Rupert Murdoch's media empire, is expected to result in a shake-out of newspaper wholesalers, who take newspapers from regional distribution points to retailers.

Although two large groups, W.E. Smith and John Menzies, are believed to account for more than half the business, there are also many small independent wholesalers. About 400 distribute newspapers on weekdays and 1,000 on Sundays.

Mr Murdoch's group, which owns the Sun, News of the World, The Times, Sunday Times and Today, is expected to announce today that it is dividing wholesaling in England into

182 districts and putting the districts under each district out to tender.

The winners of each franchise, to be awarded for five years, will be expected to dislodge News International's papers during the entire week. The system seems bound to mean fewer wholesalers and could prompt new entrants, such as foreign companies, into the industry.

News International was not available for comment last night, but sharply different views were expressed about the move.

Mr Malcolm Field, W.E. Smith managing director, said: "It makes a lot of good economic

sense to rationalise the six-day and seventh day business."

However, the circulation manager of another national newspaper said: "It will undermine the fabric of the present system. A lot of the little men will go out of business."

The wholesalers played a key role in allowing News International to sell its papers through out the dispute over its move to the Wapping print plant in east London. Wholesalers' workers kept distributing the titles even though many were members of print unions in dispute.

Maxwell plans free London deal, Page 4

US condemns attack Continued from Page 1

American retaliatory action against batteries of Silkworms which Iran is known to have installed on the occupied Fao peninsula in southern Iraq. The missiles, also believed to

be located close to the Strait of Hormuz at the southern end of the Gulf, can carry a 1,000 lb warhead and have a maximum range of about 50km.

However, American retaliation is by no means certain because the Sea Isle City was not in international waters and therefore not technically under US protection when it was hit. Some senior US Administration figures were presenting the at-

tack as a raid on Kuwait and Washington has said it would not necessarily feel obliged to come to Kuwait's defence.

The oil market, which has been largely indifferent to recent signs of escalation in the Gulf War, reacted yesterday with a rise in prices of between 25 and 30 cents a barrel. North Sea Brent crude for November delivery closed in Europe at \$19.10 a barrel.

Continued from Page 1

Freak storms kill 13

Huge areas of woodland have been devastated. No more than 10 per cent of trees were left standing in some of the Forestry Commission plantations in East Angles.

In Jersey an estimated one in three of all houses were damaged, fueling fears of acute shortages of building materials. Emergency services found themselves trapped by fallen trees and one fire crew had to walk 1 1/2 miles back to their station after responding to a rescue call.

Every town and village in the south has been left with rubble to clear and damage to repair.

Those patching up roofs, sweeping away debris or filling in insurance forms at least take comfort from the prospect of more clement weather today. "There will be some sunshine, scattered showers and more moderate winds," said the man from the Met Office. "Quite a nice day really."

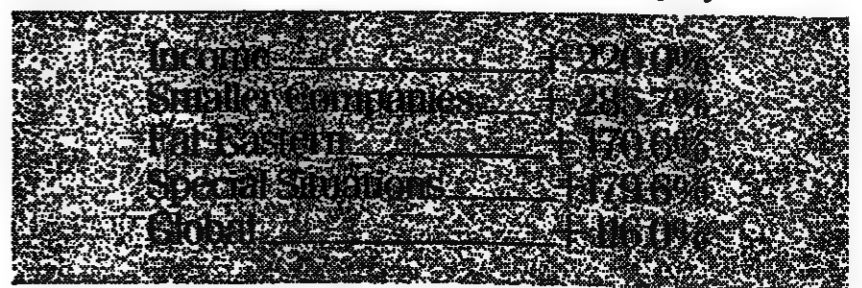
WORLDWIDE WEATHER

	Year	Today	Year	Today	Year	Today	Year	Today	Year	Today
Amsterdam	10	15	Amsterdam	10	15	Amsterdam	10	15	Amsterdam	10
Antwerp	10	15	Antwerp	10	15	Antwerp	10	15	Antwerp	10
Berlin	10	15	Berlin	10	15	Berlin	10	15	Berlin	10
Bombay	10	15	Bombay	10	15	Bombay	10	15	Bombay	10
Buenos Aires	10	15	Buenos Aires	10	15	Buenos Aires	10	15	Buenos Aires	10
Calcutta	10	15	Calcutta	10	15	Calcutta	10	15	Calcutta	10
Cardiff	10	15	Cardiff	10	15	Cardiff	10	15	Cardiff	10
Cebu	10	15	Cebu	10	15	Cebu	10	15	Cebu	10
Dublin	10	15	Dublin	10	15	Dublin	10	15	Dublin	10
Hong Kong	10	15	Hong Kong	10	15	Hong Kong	10	15	Hong Kong	10
London	10	15	London	10	15	London	10	15	London	10
Lyons	10	15	Lyons	10	15	Lyons	10	15	Lyons	10
Manila	10	15	Manila	10	15	Manila	10	15	Manila	10
Moscow	10	15	Moscow	10	15	Moscow	10	15	Moscow	10
Paris	10	15	Paris	10	15	Paris	10	15	Paris	10
Rangoon	10	15	Rangoon	10	15	Rangoon	10	15	Rangoon	10
San Francisco	10	15	San Francisco	10	15	San Francisco	10	15	San Francisco	10
Singapore	10	15	Singapore	10	15	Singapore	10	15	Singapore	10
Tokyo	10	15	Tokyo	10	15	Tokyo	10	15	Tokyo	10
Yokohama	10	15	Yokohama	10	15	Yokohama	10	15	Yokohama	10

C-Cloudy D-Dry F-Fair G-Good H-Hazy M-Mist R-Rain S-Sunny T-Thunder

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WEEKEND FT

Saturday October 17 1987

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

A CENTURY ago, Britain became the great financial bogeyman of American politics because of her role as world banker and guardian of the gold standard. In those days, British investors provided much of the capital for the construction of America's railways, New York often relied on London to cover seasonal shortages of cash during the autumn harvest, and the dollar was linked to the British Pound through the operation of the international gold standard.

By the early 1890s, Britain's portfolio of American investments was equal to nearly \$2.5bn or 20 per cent of US GNP. As a result of Britain's ubiquitous presence in the country's economic life, the American people did not regard her as merely another trading partner or supplier of capital. They also viewed Britain as a powerful commercial rival and potentially sinister influence on the country's financial markets.

Since Britain was the dominant industrial power in the world during the late 19th century, her role in debates about American trade policy was often analogous to Japan's position today. Supporters of high tariffs tried to overcome sectional conflicts between agricultural and industrial states by portraying their opponents as friends of British manufacturing industry.

Britain's place in US controversies over monetary policy, though, provides the most interesting precedent for how America's new debtor status could alter her attitudes towards the internationalisation of security markets and Japanese financial power during the 1990s. As the world's largest creditor power, Britain became a popular American scapegoat for high interest rates, depressed farm prices, and other difficulties which were perceived to result from the divergent economic interests of creditors and debtors during the 19th century.

In the decades after the American Civil War of 1861-1865, there was a sharp decline in the level of world commodity prices because of the spread of new agricultural technology to previously backward or undeveloped regions. In the case of the US, this deflation was even more severe than Europe's because the American price level had been artificially inflated by a large increase in the supply of "greenback paper money" during the Civil War.

Naturally, this deflation imposed a severe burden on the agricultural and commercial interests which had borrowed during the period of rising prices. They attempted to resist by launching a political movement opposed to the gold standard and the creditor interests supposedly aligned to it, including London banks which had speculated heavily in American debt during the Civil War.

The resistance initially took the form of a "greenback party", which advocated the creation of a managed paper money standard but, because of the country's lack of historical experience with paper money, the movement soon switched to "free silver", a bimetallic monetary standard, which would encompass both silver and gold.

By 1890, the admission of several new silver-producing states tilted the national political balance in favour of supporters of silver. A new Republican administration obtained the silver states' support for a large tariff hike by requiring the Treasury to purchase all domestic silver production and to make its coins convertible into the grey metal as well as gold. Instead of reversing commodity prices, the new uncertainty about America's commitment to the gold standard triggered a run on the Treasury. British capital withdrew from New

David Hale explains why alarm over the impact of foreign creditors may become an issue in the US election campaign

Japan as the new bogeyman

York, producing a sharp rise in the level of interest rates, and a slump in the stock market.

When Grover Cleveland returned to the White House in the spring of 1893, he was forced to request a suspension of the Silver Purchase Act and to negotiate a series of loans from J. P. Morgan and the Rothschilds Bank to replenish the Treasury gold reserve. With Morgan willing to act as de facto central banker for the US Treasury, financial conditions stabilised and steamships bound for Europe with American gold returned to New York, but the spectacle of the President, personally bargaining with powerful bankers to restore the government's credit rating further inflamed populist hostility towards Wall Street and the City of London.

As the 1896 presidential election approached, the silver forces counter-attacked by seizing control of the Democratic Party and nominated for President one of the country's most vociferous opponents of the gold standard, Congressman William Jennings Bryan of Nebraska. Political historians remember the spellbinding oration which won Bryan the nomination as simply the Cross of Gold speech, but much of it was actually an attack on London's financial power. "Who is willing to surrender the right of self-government and place the legislative control of our affairs in the hands of foreign potentates and powers?" Bryan asked the convention.

In the end, Bryan carried more states than his Republican opponent, William McKinley, but McKinley won by a total of 95 votes in the electoral college and 600,000 votes in the popular count. Although Bryan sought the presidency twice again, the silver movement itself faded during the final years of the century, as gold discoveries in South Africa and the Yukon produced a large expansion of the world money supply and revival of commodity prices without the reamortisation of silver.

While it may seem hard to believe today from the start of the silver crusade in the 1870s right through to its culmination in the election of 1896, large numbers of Americans believed that British financial interests controlled the country's economic policy. In populist

folklore, British investors were not merely passive beneficiaries of deflation, but had actively encouraged it through conspiracy and intrigue. It was widely alleged, for example, that in 1872 the Bank of England had sent a secret agent named Ernest Seyd to the US with \$500,000 to bribe American Congressmen into voting for the demonetisation of silver.

The depth of the hostility to British financial power among American populists and silver crusaders during this period was most vividly expressed in the monograph which ultimately became the textbook of the American silver crusade, *Coin's Financial School* by William Harvey. Published in the midst of the recession which gripped the country after the financial crisis of 1893, the book quickly became a best seller and was probably the most widely read economic treatise in the United States during the 19th century. In the book, Harvey rejected calls for international agreements to stabilise the silver price, and called upon the US to create its own monetary system independent of British influence. If this led to the disasters predicted by advocates of an international accord, the US should not retreat but go to war with England.

"A war with England would be the most popular ever waged on the face of the earth," said Harvey, and also one of the most just, since it would be fought against a power that "can dictate the money of the world and thereby create world-wide misery."

The militant spirit towards Britain generated by the monetary crusade even infected discussions of foreign policy. When the US clashed with Britain over how to define the boundaries of British Guiana and Venezuela, a west coast newspaper spoke for many Americans with the argument "We are at the mercy of England as far as our finances go and war is the only way out." "War would be a good thing even if we got whipped," declared a letter from the silver state of Nevada, "for it would rid us of English bank rule."

Ironically, in view of populist allegations about London's attempts to manipulate the American economy, many British investors fared poorly on their US investments during the late 19th



Chris Priestley

century. London often bought American securities during periods of prosperity and sold them back to New York when recessions produced US trade surpluses.

THE challenges posed by the rise of Japanese financial power to future American economic policy are likely to be very different in character from those posed by British financial supremacy during the late 19th century. The US is no longer a developing country suffering from the insecurities of youth. Its current status is most comparable to Britain herself during the first half of the 20th century, when America was an emerging power and a serious mismatch had developed between Britain's economic strength and international political obligations. The world is also no longer a gold standard which automatically transmits deflation from creditor countries to debtor countries.

Because of these differences, most American fears and fantasies about Japanese economic power today still focus on issues related to trade and technology rather than capital flows

and interest rates. But the potential clearly exists for Japanese financial power to become an American political issue and ultimately to produce a popular reaction against Japan comparable to the anti-British feelings of the late 19th century.

Of the \$150bn foreign capital which the US imported during 1986, more than a third came from Japan. Tokyo is headquarters for seven of the world's ten largest banks while Nomura Securities has a market capitalisation of \$60bn-\$70bn compared to only \$6bn-\$7bn for Citibank. The syndicalist nature of the Japanese economic and political system is highly conducive to conspiracy theories about Tokyo developing a "money weapon" to influence American economic policy.

In 1988, the US will hold its first open presidential election campaign as a large scale, capital importing nation since the contest between McKinley and Bryan in 1896. One prominent candidate, Congressman Richard Gephardt, has already made Japan-bashing a central theme of his campaign and other candidates are often

insensitive to how their public comments are perceived by foreign investors, so it is easy to imagine a variety of circumstances during next year's election campaign which could trigger heavy Japanese selling of US stocks and bonds as well as selling by American investors in anticipation of the Japanese liquidating their US securities.

Such a slump in the New York financial markets could then cause the influence of foreign investors over US interest rates to become an election issue in its own right. The politician who produced the run on the dollar, for example, could easily start attacking his opponent for being a tool of Japanese financial power, as happened to free trade and pro-gold standard candidates during the presidential elections of 1888 and 1896. If interest rates rose by enough seriously to damage the American economy, large numbers of people could start to believe that Japan was using its "money weapon" to determine the outcome of the election.

Even if the US is able to avoid serious traumas in the foreign exchange market during next year's election campaign, Japan is still likely to emerge as a scapegoat for many of the frustrations which will occur in American political life when Congress starts coming to terms with the debt servicing legacy of the Reagan consumption boom.

What remains to be seen is whether the American people will personalise their resentment of Japanese financial power in as graphic or racist a form as the 19th-century populists did in their portrayals of the Rothschild Bank and the City of London. How far the reaction against Japan goes will probably depend upon whether the post-Reagan adjustment in American consumption comes through a gradual tightening of fiscal policy or a severe monetary squeeze. The US economy will be very vulnerable to sharply rising interest rates in the future because its ratio of non-financial debt to GNP has increased dramatically during the 1980s. Since Japan is the major external supplier of capital to the U.S. American politicians could easily attempt to turn Tokyo's financial power into a scapegoat for rising mortgage rates, new corporate bankruptcies and other adverse consequences of monetary instability.

The adjustment now facing America and Japan is both emotional and economic. New mechanisms must be developed for reducing the tensions that result from the differential stages of economic, financial and political integration which exist in the world today. The financial markets of New York, Tokyo, and London are already effectively in the 21st century in terms of technological sophistication, money flows, and habits of thinking. Political institutions, by contrast, are still rooted in the intellectual framework of the 19th century nation state. Isolation and protectionism are more viable policy options for the US than for any other industrial nation.

As a result, it may be in post-Reagan America that the forces of economic populism and frustrated nationalism finally rebel against the discipline of the international financial marketplace. If central bank intervention is unable to prevent a large rise in US interest rates during 1988, the major economic issue in US politics by the end of next year's election campaign may not be trade protection, but a new agenda to regulate international movements of capital in order to free the country from "financial servitude to Tokyo."

David Hale is Chief Economist of Kemper Financial Services, Chicago.

The Long View

The see-saw effect slows down

JUST AS the US equity market looked as though it was climbing back towards international respectability it has run into trouble again. The Dow Jones Average shrank up a record one-day fall of 91.55 points last week only for it to beat that with a 95.46-point tumble on Wednesday this week.

The talk has been that the US stock market might be able to detach itself from the worrisome trends in the bond market, where yields on long-dated Treasuries have now moved into double digits. The buzz word has been "decoupling."

However, with a reversal of more than 10 per cent in the past few weeks equities seem to have hooked themselves right back on to the downward bond spiral.

For years, American stocks have performed lamely by international standards. It stands out, for instance, from UK unit trust performance statistics, which show that £1,000 invested in the typical North American specialist trust in June 1977 grew, including reinvested income, to £4,045 by June 1987.

On the face of it that might not look bad going, but consider that a UK general fund would have generated £7,513, a Japanese fund £9,332 and a European trust £8,672.

The same pattern emerges from investment trust figures, where in the ten years to the end of last month £1,000 in a typical North American fund grew to £3,453 but a UK general trust returned £8,580 and a Japanese specialist on average turned £1,000 into £11,015.

A more analytical slant on these trends is provided by brokers Phillips & Drew's excellent *World Capital Markets* book. In the ten years 1977-86 the annual return on US equities averaged 13.3 per cent against 18.3 per cent in Ger-

many, 23.3 per cent in the UK and 24.4 per cent in Japan (all these figures are expressed in dollar terms).

What is the reason for the poor showing of Wall Street? Is it that the US economy has lagged? Apparently not, because US real GDP growth has been well up to the international average.

Now does it appear that the valuation basis of the US market has varied greatly from the international norm (in contrast to Japan, which has moved from overvalued to ridiculously overvalued).

The straightforward explanation is that corporate earnings growth in the US has been extremely poor. This applies especially to 1981-85, when there has been no aggregate earnings growth at all for constituents of the Standard & Poors 500 Index.

And just as hopes were swelling of a bounce-back by earnings this year the financial sector has ruined things: enormous bank write-offs of Third World and other debts have served to spoil the party.

It seems ironic that the US corporate sector should have failed to deliver the goods, given the aggression of the American business culture, the high output of MBAs, the flood of "excellence" bestsellers from the business publishing houses and the grotesque earnings of top US executives.

At home it is convulsed by bids and senior executives are



It is tempting to conclude that US business has moved from domination to decadence. But Barry Riley foresees better performance and happier days ahead

Being can be threatened by more ridiculous levels, wreaking havoc through American industry.

But wait a minute. Maybe it isn't all the fault of Mr T. Boone Pickens, or the result of the Harvard Business School's failure to teach ethics. The key factor in explaining the problems of the US equity market has been the behaviour of the dollar. During the early 1980s—peaking in the spring of 1985—it rose to progressively

more ridiculous levels, wreaking havoc through American industry.

Since then it has weakened sharply, to a level at which it is arguably near the right price on competitive grounds. But as this week's US import and export figures have underlined, the lagged legacy of years of trade distortion will take a long time to overcome. The dollar will have to go to an under-

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FT3

MARKETS

Chill westerly wind

WHATEVER the origins of the winds which wrought havoc across Britain yesterday, the cold blasts which have depressed London share prices this week came blowing in from the same general direction—across the Atlantic.

Disappointing US trade figures and another upward movement in the prime rate sent the Dow Jones plunging for the second week running, and London equities fell in sympathy.

The see-saw movements in the FT Ordinary index—down 23 on Monday, up 12.2 on Tuesday, down 12.7 on Wednesday and a further 21.8 on Thursday—reflect a tug of war between these downward transatlantic influences and a more optimistic domestic picture.

The latest batch of economic statistics from the producer price index and industrial production—were generally satisfactory, suggesting that inflation was well under control while output was continuing to rise strongly.

And with a strong pound continuing to knock up against DM3—believed to be as high as the Government wants to see it go—there was a degree of confidence that UK interest rates could withstand even another increase in the US discount rate.

That said, the markets remain nervous of a further shake-out on Wall Street, while at home the latest set of trade figures

—statistics which have caused some of the most violent market upheavals of recent months—will be anxiously awaited next week.

All this means a somewhat edgy market backdrop for Britain's biggest ever share sale, the £7.5bn British Petroleum sale, which got into top gear this week when the Government unveiled the price at which the shares are to be offered to the public.

Small investors will have to pay 330p, of which 130p must

London

be put up immediately and the rest in two 105p instalments. The fully paid price is 19p below the closing BP share price on Thursday night but the Government expects the market to value the new shares more highly, since their partly paid nature means purchasers get an interest-free credit.

According to the Government's advisers, small investors could see a premium of over 30 per cent when first dealings begin on October 30. A lot could happen in the markets over the next two weeks to affect that figure, either upwards or down, but it would take a fall of over 10 per cent in the fully paid price to wipe out the premium entirely.

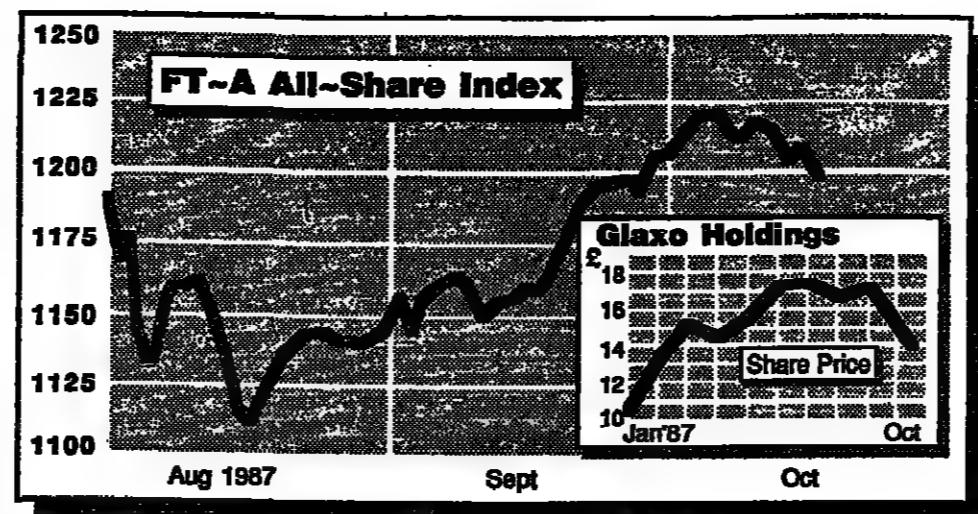
near 10 per cent fall in its share price was exactly what

Glaxo, the pharmaceuticals group, did suffer on Monday, and such a large drop in the stock of Britain's fourth biggest company, by market capitalisation, reinforced that day's downward pressure from Wall Street.

The slump followed Glaxo's announcement of its results for the year. The figures were hardly bad: pre-tax profits rose by 22 per cent to £740m and the trading results, stripping out investment gains, were 33 per cent ahead. But they were far below analysts' expectations, which ranged from £770m to £840m, and the City does not like to be caught out in this way.

More fundamentally, the share price drop reflected concern that Glaxo's extraordinarily strong growth in recent years, largely thanks to its anti-ulcer drug Zantac, is slowing down. Yet that is hardly surprising, said Paul Girolami, the chairman, said on Monday. It is impossible to carry on growing at a rate of 50 per cent a year. Something in nature would stop it.

However, the company has some promising new drugs in the pipeline which could start making an impact a couple of years from now. Just how quickly they will be able to take up the running from Zantac—which will lose its US patent protection in 1995—is another matter, but with the shares now down to about the same rating



as Beecham's, the market is not taking that much on trust.

Another surprise was sprung on the City this week by Robin Leigh-Pemberton, the Governor of the Bank of England, who laid down a new policy on the ownership of Britain's banks. He said he did not think banks at "the core of the financial system" should be controlled by industrial or commercial companies or by foreign institutions—though he also made clear his intention to judge each case on its merits, and implied there would be fewer objections to takeovers of small banks, or of those that did not play a key role in the clearing system or supply of credit.

The statement was regarded as marking a smaller than expected relaxation in the controls over ownership, given London's aim to be seen as an

attractive, open international financial centre. And it immediately blew away a lot of speculative bid froth which had gathered over the banking sector as investors looked for a new round of takeovers in the wake of Big Bang.

The news knocked the shares of merchant banks which have been at the centre of bid rumours, notably Morgan Grenfell. But hardest hit was a clearer, Midland Bank, in which Hanson Trust, the industrial holding company, has built up a 6 per cent stake.

Midland was also the subject of a tentative bid approach some weeks ago from Satchi & Satchi, the advertising agency, which is keen to move into financial services. However, this week it was new from its core business which

knocked Satchi's share price: it is parting company from the Conservative Party, its most famous advertising account.

Meanwhile, on-off bid approaches seem to be becoming a fashion in London. First there was Mountleigh, the property group, which huffed and puffed about a bid for retailer Storehouse but then withdrew when its target, unsurprisingly, said no. Burmah Oil went through a similar but much briefer pantomime with Calor Group, and this week Midland Leisure made a £270m bid approach to the much larger Boddington brewery group.

"No go" said Boddington's two largest shareholders, and that seemed to be that.

Martin Dickson

Here comes Big Nanny

AS THE City lurches towards the anniversary of Big Bang, it is becoming clear that all is not well in the world of banking and high finance. Spectacular sackings at Chemical Bank and Salomon Brothers have this week highlighted the risks associated with telephone number salaries.

Although this spells disaster for Fulham-dwelling Pershore-driving Yuppies, it is meat and drink for Sanders and Sidney, a small company which joined the USM in February this year. It is the UK's only quoted "outplacement consultant".

Outplacement is a concept imported from the US, where it is very big business. Sacked executives are named into their next job, assisted by psychology sessions and secretarial services. It is the former employer, not the employee, who pays for this service, so there is no point in trying to get on Saunders' books if you happen to have been dismissed by a less than caring corporation.

The fees, and the success rate, are high. Saunders claims to place 97 per cent of its candidates within four months of their dismissal. For each candidate, the company charges a flat fee of £750 and 15 per cent of the employee's leaving salary.

Sanders has traditionally serviced blue-chip marketing and industrial companies, but in recent months has seen a surge in business from City institutions which over-recruited in the run-up to Big Bang, paying sky-high salaries. Ted Simpson, a Sanders director, confirms that his company now works for no fewer than 35 banks, and that business is booming.

"It is only the mass dismissals which make the headlines," he said yesterday, "but they represent only the tip of the iceberg. The fallout has been fairly general."

As the Eurobond markets slump and the big securities houses get round to rationalising their bloated payrolls, there are likely to be many more candidates for Sanders' services in the coming months.

To some extent, Sanders' shares have reflected the benefits the company is likely to glean from the shake-out in the City, rising from a placing price of 100p to 180p on Thursday night. But analysts' estimates of £650,000 pre-tax profits

for the year to March 31 seem unduly conservative. This is only slightly ahead of the £581,000 made last year and puts the shares on a prospective P/E of 20—a rating which would of course fall if Sanders does anything better than match the forecasts.

The argument in favour of Sanders' shares relies on a gloomy prognosis for the labour market in the square mile. By contrast, the market for buildings tailor-made to house the security houses' remaining employees seems to be buoyant—if Stanhope Property's spectacular USM debut on Thursday is anything to go by.

Stanhope, the property company which in partnership with Rosebush is developing the massive Broadgate scheme near Liverpool Street station, came within a whisker of eclipsing Mrs Fields as the biggest company on the USM in first day

Junior Markets

dealings. Its shares jumped from the striking price of 250p to close at 312p, giving it a market capitalisation of £246m, nearly three times the value of its assets as stated in its prospectus.

According to the company's advisers, the shares had only to rise another 5p to overtake Mrs Fields, but business indicated maybe not there was no possibility of them doing so yesterday.

A company of Stanhope's size and stature—Stuart Lipton, its chairman, is a much-revered figure in the UK property world—could clearly have gone straight to the main market but for the fact that it lacks the required five-year financial record. The record from June 30, 1984, is impressive enough on its own, showing growth in net tangible assets from £73,000 then to £131m at the beginning of this month, or just 118p per share.

Conservative accounting policies meant that the figure was grossly understated and could not include the value of some of Stanhope's most promising developments.

David Waller

Buoyant for the black stuff

WORLD COAL exporters are preparing themselves for the first of a series of contracts renegotiations which many believe will result in the first price increases for years.

A revival of prices, coupled with strenuous efforts to cut costs, particularly by Australian companies, and the development of overseas mining projects by a number of US corporations are all beginning to make this sector more interesting after a long period of depression. However, rationalisation still has some way to go.

Although there are few major companies which are exclusively engaged in coal production, an improvement in the sector could have an important effect on a number of integrated resources and mining companies.

The immediate outlook for prices will be strongly influenced in Europe by the outcome of talks involving the Italian state electricity pro-

ducer ENEL and Dutch coal buying body GKE, both expected to be completed next month.

In the coal producer's will be watching in particular the price paid for South African Ermelo steam coal by the

Mining

Electric Power Development Corporation of Japan, which will set a standard for the region.

One main reason that traders are expecting price rises to emerge from these talks is that supplies from three major traditional exporters—the US, Poland and South Africa—have been falling off. Many US exporters have effectively given up trying to sell

into an international market where prices are much lower than those in a robust domestic market.

Poland's withdrawal from export markets over the last two years reflects rising home demand as well as a steady deterioration in the mines. But it is South Africa's collapse that has caused the greatest surprise. Now, the expansionary plans of a few years ago have been forgotten and survival is the watchword.

South Africa has been doubly hit by rising costs and crippling sanctions. Most South African exporters predict that at least 7m tonnes will be cut from export volumes this year with another tumble in 1988. To cover increased transport and labour costs export prices would need to rise from around \$24

per tonne to almost \$30.

Amid all this turmoil the fortunes of South African companies in 1987 have been mixed. The major exporting group, the Transvaal Coal Owners Association, has been extremely hard hit, while others, notably BP Coal, have long since sold out their 1987 production.

The major Australian coal exporters, less shell shocked by the last 12 months than the South Africans have also suffered from price pressures, from the strengthening Australian dollar, and rising ocean freight rates. They too are taking an extremely robust line on 1988 price levels. It has been a rough year for the industry with six mines already having closed and at least as many more listed for an early demise.

Australia's major coal exporter, Utah, a subsidiary of Broken Hill Proprietary Company (BHP), an overwhelming force in Queensland, has been slimming down its workforce in preparation for what it sees as keen competition in 1988 particularly from Colombia and China.

The New South Wales export leader, Coal and Allied Industries, has been at the forefront of a campaign throughout the state and particularly in the Hunter Valley, for a reform in work practices among the miners and a cut in bonus payments.

Although the Hunter Valley cost-cutting campaign provoked a week-long strike throughout the Australian coal fields, with longer stoppages at individual mines (including Coal and

Allied's), the workforce at many mines has now acceded to the isolation, is equally eager to take employers' wishes.

In the USA a disillusionment with the world market price has not discouraged some of the more expansionist producers from switching from supplying the export market to building export mines overseas. Alabama's Drummond is seeking to construct a 10m tonne a year mine in Cesar Province, Colombia, while Atlantic Richfield, an oil offshoot with major Powder River Basin mines in the West, is one of the three partners in the Paso Diablo mine in Venezuela.

These companies are spurred by the belief that the world market for sea-traded steam coal, which has risen from 19m tonnes in 1973 to 137m tonnes last year will continue this vigorous growth.

Gerard McCloskey

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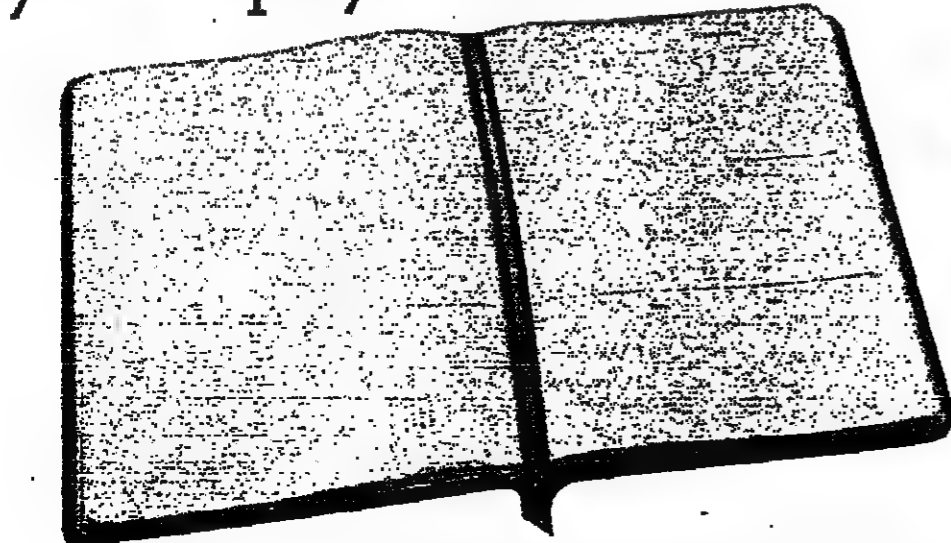
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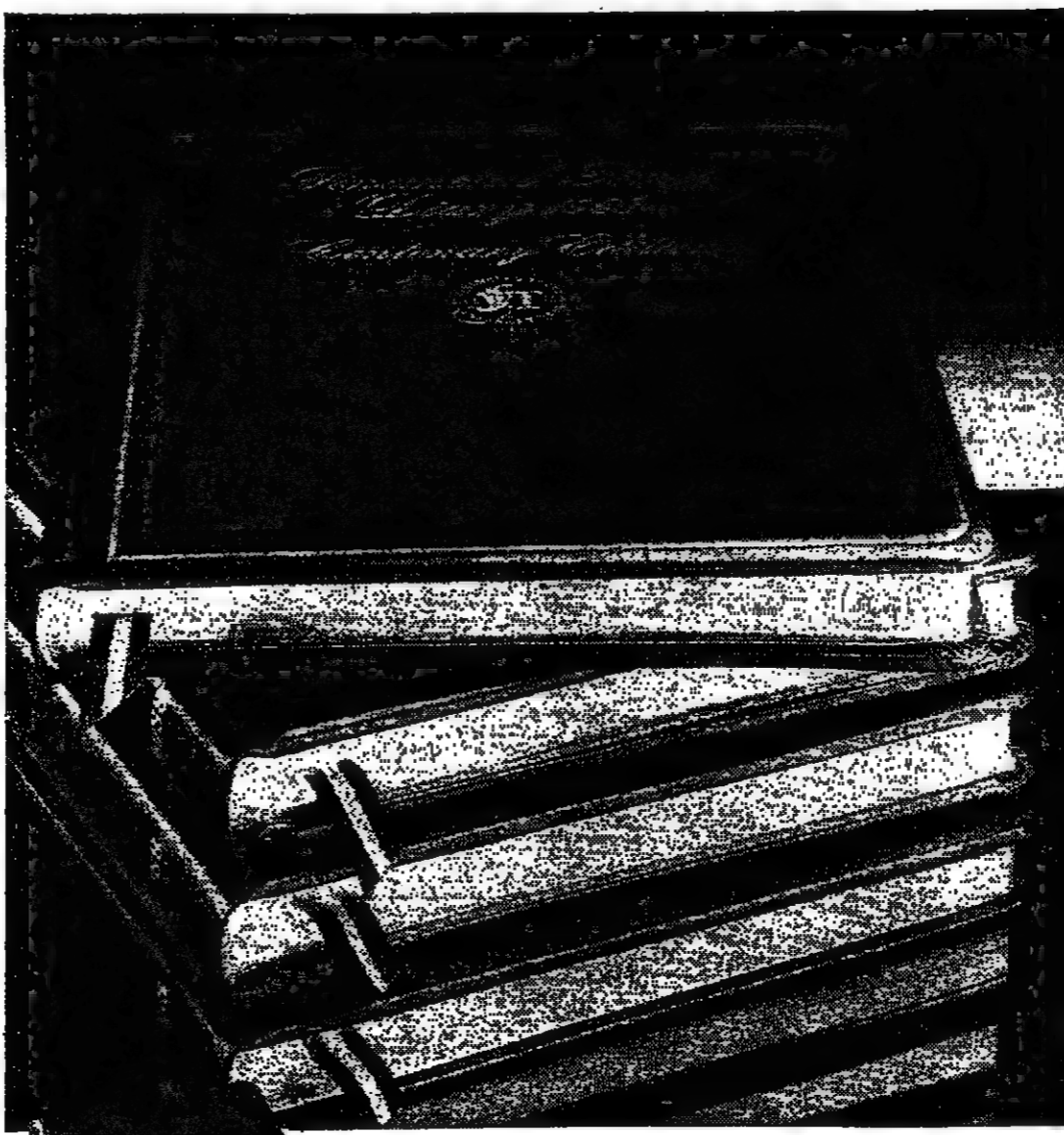
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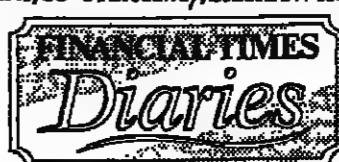
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Richard Tomkins says the big share offer remains a big gamble

BP pushes out the punt

IF THERE WERE ever any doubts about whether British Petroleum's share offer was aimed at widening share ownership, they were dispelled on Thursday at the launch of the offer document.

"Share ownership is no longer a rich man's hobby," declares Norman Lamont, chief secretary to the Treasury; he describes the BP offer as "another step on the road towards real popular capitalism in this country."

But the polemic is really unnecessary. The terms of the offer alone are sufficient evidence of the Government's desire to see as many BP shares in as many British voters' hands as possible.

Altogether, nearly 2.5bn shares are to be sold—about 1.7bn of them by the Government, which is disposing of its

last remaining 1.5 per cent stake in the company, and the rest by BP, which is issuing 450m new shares to raise funds for its development.

The offer price has been fixed at 330p a share, a discount of 17p to the opening price of BP's existing stock on Thursday, but only 120p is payable on application; the rest follows in two instalments of 105p in August 1988 and April 1989.

The fully-paid price puts a value of £7.2bn on the issue compared with £5.4bn for the British Gas offer last year, and makes it by far the biggest Britain has yet seen.

Not surprisingly, an extensive marketing campaign has been conducted among institutional investors at home and overseas in order to ensure a satisfactory response to such a large offering.

But even so, exactly half the shares have been set aside for private investors in Britain. And if this part of the offer is more than twice subscribed, it will be increased to 62 per cent of the total at the expense of the institutional portion.

Moreover, the small UK investor is being plied with incentives to join in. There is a low minimum entry level of 30 shares costing just £96 at the partly-paid price. There are special arrangements to make buying and selling easy. And there is a one-for-ten loyalty bonus of shares for people who hang on to their investment for three years.

But much more important than any of these perks is the price. In this respect, the small investor is being given vastly preferential treatment over the institutions, for he or she will

almost certainly end up paying far less for the shares.

This is because the fixed price only applies to the UK public offering. Institutional investors are taking part in a form of tender offer in which the figure of 330p will represent the lowest permissible bid.

Theory has it that the institutions will in practice be prepared to pay considerably more than this—and not just because of the gap between the offer price and the price at which the existing shares are trading.

It is argued that they will also be prepared to pay a premium for the partly-paid stock because these shares permit the holder to put cheap instalments on interest-bearing deposit until they become due.

For example, in order to meet the cost of paying the second instalment of 105p in August 1988, investors need only to find 97p now—because if they put that sum into an account earning interest at current rates, it will have grown into 105p by the time the sum falls due.

Similarly, the amount that has to be deposited now in order to produce the third instalment of 105p in April 1989 is only 81p.

Now add together the 8p time value of the second instalment, the 13p time value of the third instalment, and the 17p discount at which the shares are being issued, and the theoretical premium produced is 33p.

That figure is the premium which institutional investors ought theoretically be prepared



A special pull-out supplement giving full details of the background to the BP share offer will be included in this Monday's (October 19) issue of the Financial Times.

to pay for the stock. It is also the premium at which the shares should theoretically trade when dealings begin and as a proportion of the 120p partly-paid share price, it represents a highly attractive 32 per cent return.

Before small UK investors get too carried away with the prospect of Lamont as a modern-day Robin Hood, it would be as well to observe that get-rich-quick schemes are seldom free of risks and that this one is no exception.

First, the time value argument has never been tested in practice because there has never been a secondary offering of shares in a British company where the deferred instalments have been so large and the payment periods so long. It seems likely that the institutions will go along with it—but not the whole way.

Second, if a week is a long time in politics, it is a long time in the stock market, and it is twice that long

between now and the day dealings in the partly-paid shares begin. In the first three days of this week BP's existing shares shed 16p—a figure equivalent to virtually the whole of the discount at which the shares are now being offered. Just imagine what could happen in a fortnight.

Third, the Government has pulled the old trick of letting dealings begin as soon as the allocation is announced—some 10 days before the letters of acceptance are even posted to applicants. Only small investors well known to their brokers will be able to deal without this proof of ownership, so the vast majority will be at risk of a downturn for yet another 11 days or so after dealings begin.

In short, the offer is a punt on the stock market. If it is steady or favourable, the pickings should be satisfactory or rich. If it turns sour, the road to popular capitalism could become a little bumpy.

Enough for all

John Edwards

DECIDING whether or not to go for the BP offer is really only half the battle. Those who do choose to expose the cause of popular capitalism then have to decide just how much of it they want—and how to get it.

Many small investors still have hazy memories of the sale of privatisation issues earlier this year which left most applicants with trailing allocations. The BAA issue in the summer, for example, was so heavily subscribed that all applications for more than 1,000 shares were rejected outright and other applicants were given only 100 shares each.

The BP offer, however, is big enough to give sensible allocations to everyone. It is expected, the public offer is more than twice subscribed and is therefore expanded at the expense of the institutional part, nearly 1.4bn of the 330p shares will be available—in other words, £4.6bn worth of stock.

Of this, just over 510m worth will be reserved to satisfy preferential applications from existing BP shareholders, so that will leave £3.45bn worth of stock for the general public.

It is probably more than just coincidence that this is exactly

the amount of stock that was allocated to the UK public in the £5.4bn offer for sale of British Gas a year ago. The figures come out the same because in that case the general public was given a larger allocation of a smaller offer.

By a further coincidence, the number of people who have registered with BP's share information office—some 6.5bn earlier this week—is not far short of the 7.5m who registered with the British Gas share information office a year ago, and the Government's advisers are expecting the number of eventual applicants to be broadly the same for both offers at around 6m.

Since the Government's wider share ownership objectives are the same for both offers, and since its merchant bank adviser (N. M. Rothschild) is the same in both cases, it is almost irresistibly tempting to assume that the pattern of allocation will be broadly similar.

This is a hazardous assumption, and would-be applicants are warned not to set too much store by historical precedent. It is essentially important to note that if the BP issue should for any reason flop, the allocations are likely to be very much larger.

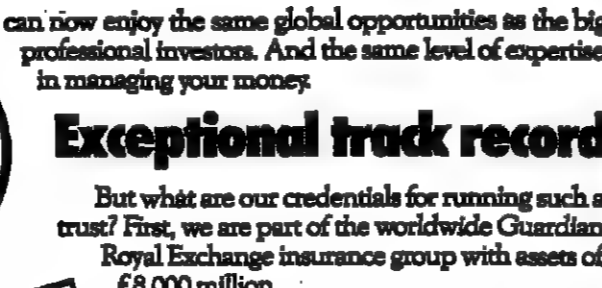
However, for what it is worth, the accompanying table reproduces the allocation for the British Gas flotation last year. For "customer" in the British Gas allocation, read "blue form applicant" (that is, early registrant with share information office) in BP's.

One important footnote to the table: because the issue prices of the British Gas and BP shares are very different (the British Gas fully-paid price was 156p), British Gas's share allocations have been translated into values of allocations at the fully-paid price. BP applicants will therefore have to translate those values back into numbers of shares at BP's fully-paid price of 330p.

HOW THE BRITISH GAS ALLOCATION WORKED			
Value of application (fully-paid)	Public	Value of allocation	customer
£125 to £240	In full	£240	In full
£240 to £360	50%	£180	50%
£360 to £480	33%	£160	33%
£480 to £600	25%	£150	25%
£600 to £720	17%	£120	17%
£720 to £840	10%	£84	10%
£840 to £960	7%	£72	7%
£960 to £1,080	5%	£54	5%
£1,080 to £1,200	3%	£36	3%
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£1,320 to £1,440	1%	£12	1%
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*Planned Savings Statistics for the three years to 1st October 1987 (Offer to bid, with income reinvested)

GENERAL INFORMATION

Applications will be acknowledged on day of receipt. Certificates will follow within 42 days. Reinvestment will be paid to qualified investors. Income, less income tax, is distributed by the Trust on 30th April and 30th October each year together with tax vouchers. The first distribution will be on 30th April 1988. Unitholders may have their income, net of tax, reinvested on 15th April and 15th October each year, in which case a tax voucher and up to date advice of the unitholding are

issued on the distribution dates. Reports on the progress of the Trust are included with each tax voucher distribution. Management charges as permitted by the Trust will normally be made immediately upon receipt of the annual certificate. The Trust is a Medium Bank Trust Company Ltd. The Managers are Guardian Royal Exchange Unit Managers Ltd., 20 Fountains Street, Manchester M2 2AR. Member of the Unit Trust Association.

Prices and yields are quoted daily in the national press. Repurchase Units can be cashed at any time at the bid price ruling on receipt of instruction to sell. Payments will normally be made immediately upon receipt of the annual certificate. The Trust is a Medium Bank Trust Company Ltd. The Managers are Guardian Royal Exchange Unit Managers Ltd., 20 Fountains Street, Manchester M2 2AR. Member of the Unit Trust Association.

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To: Guardian Royal Exchange Unit Managers Limited, 35 Fountains Street, Manchester M2 2AR. Telephone: 061-236 5685. Reg. No. 9017.

I/We enclose my/our cheque for £ for investment in GRE International Trust at the current offer price upon the terms of the Trust Deed. (Minimum initial investment £500)

I/We hereby instruct you to register the holding as set out below.

I/We authorise the reinvestment of my/our income in the purchase of further units. (Tick if required)

This offer is not open to residents of the Republic of Ireland.

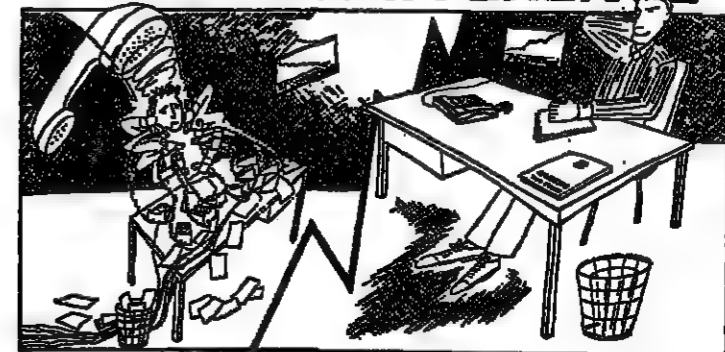
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Guardian Royal Exchange

GRE

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FINANCE & THE FAMILY

John Edwards reports on the result of the FT Readers race

Two share the honours in photo-finish

FINDING THE winner of the FT Readers Race, run in conjunction with the Great Investment Race, proved so difficult that in the end it was decided to split the prize between two competitors—a retired businessman in Lincolnshire and an investment adviser working for a London unit trust group.

The problem in deciding a single winner lay in the fact that two popular stocks, Britoil and Consolidated Gold Fields, yielded virtually the same total return, including dividends, in the year of the race which ended on September 23.

Readers were asked to pit their skills against the teams competing in the Great Investment Race by using a mythical

portfolio of £35,000 to invest in multiples of £7,000 in up to five shares from the FT-SE 100 Index list of companies. You were entitled to use the £7,000 multiples in any way, either choosing several shares or putting the whole £35,000 into a single stock.

Many readers quickly realised that if they were to win the £2,500 worth of Prudential unit trusts—offered by the Pru, which sponsored the Great Investment Race—their best chance was to put the whole £35,000 into one share and hope it turned out to be the top performer.

That brought the first problem in finding a winner. If you invest £35,000 in one block, in

some cases you would have been able to buy slightly more shares than if you bought in tranches of £7,000. Consolidated Gold provided a good example of this.

The purchase price at the start of the race last September stood at £5.53 so, with £7,000, you could buy 1,265 shares for £5,995.45, leaving £4.55 over. Multiply that by five and the total was £3,225 shares. However, you got an extra four shares—6,329—if you made one single purchase of £35,000.

There was no such difficulty with Britoil. Its purchase price was £1.25, so the full £7,000 was utilised without any being left over.

After some head-scratching, it was decided that even if the rules, drawn up for a charity event, were not as specific as they might have been, the entry form had specified an investment of "£35,000 in units of £7,000." The spare sums not invested were to be retained and added on to the value of the final portfolio in next year's race, to avoid this happening again, readers will have to invest in a proper portfolio of a selected number of shares.

The rules also specified that "any dividend paid by the company in the course of the year" would be retained and added to the value of the portfolio, without interest, at the end of the year.

This raised another problem. In the case of Britoil, the company paid an interim dividend of 2p on October 1, 1986, but the shares were ex-dividend before being bought on September

24 so the interim could not be included in the value of the portfolio.

The dividend of 6p paid during the year was obviously eligible for inclusion, but the interim dividend of 3p declared for payment on October 1, 1987, although due to the investor, was not actually paid over during the course of the race period ending on September 23. So, you could argue that it should not be included, either.

As it turned out, the total of dividends paid was vital in deciding the winning share. Buying in tranches of £7,000, the capital value of Consolidated Gold showed the biggest increase. The share price jumped from £5.53 to £14.125 and the £7,000 increased to £17,886.14. Add on the net dividends of £322 and the unused investment money of £4.55 and you get a total return of £18,195.

The Britoil share price rose from £1.25 to £3.16, boosting the

capital value of £7,000 to £17,886—below the gain made by Cons Gold. However, if you include the final dividend of 6p and the October 1987 interim of 9p, the net dividends are £504 to be added to the value of the portfolio—making a total return of £18,300, a bare 25 above Cons Gold.

In the circumstances of the uncertainty surrounding the second Britoil dividend and the £7,000 tranches, it was thought best to split the prize between the two competitors who had picked Britoil and Consolidated Gold.

A further complication, which had been anticipated, was that 60 entrants put their full £35,000 into Cons Gold and 29 entrants the full amount into Britoil. To allow for this happening, readers were asked also to forecast the level of FT-SE 100 index, quoted in the September 23, 1987, issue of the FT, as a tie-breaker.

Not many readers expected

the index would soar from 1,610 to 2,344.8 during the period of the race. So, in both cases, the highest forecast turned out to be the winner. Among the Britoil entries, the highest index forecast was 2,037.4—quite a way below the actual figure. However, the top figure among Cons Gold entrants was very much closer at 2,306.7.

Using the tie-breaker, the winning Britoil entry was sent in by Francis W. White of Boston, Lincolnshire. Aged 75, he has been dabbling on the stock market for more than 30 years.

He is mainly a short-term investor, looking for capital gain rather than income especially from smaller companies. Why did he choose Britoil as his single share selection? Gut feeling. The oil price a year ago was very depressed and he considered it had the most scope for going up. He was right.

His forecast of a substantial rise in the FT Index was based on more logical grounds. Although the index had already risen considerably, he felt that while UK companies continued to report higher profits, a further big rise was on the cards.

The winning Cons Gold entry came from Chris Paul, 43, of Wimbledon, London, who was only a day out in being spotted with his index forecast. He works in the City for the M&G unit trust group.

Paul started in 1971 with stockbroker Sheppards & Chase and moved to Rowe & Rudd but was made redundant after the

1974 stock market crash. He joined Touche Ross, the tax accountant, for some 10 years before moving to M&G in 1986 as client investment adviser and was then promoted to broker investment adviser for the group.

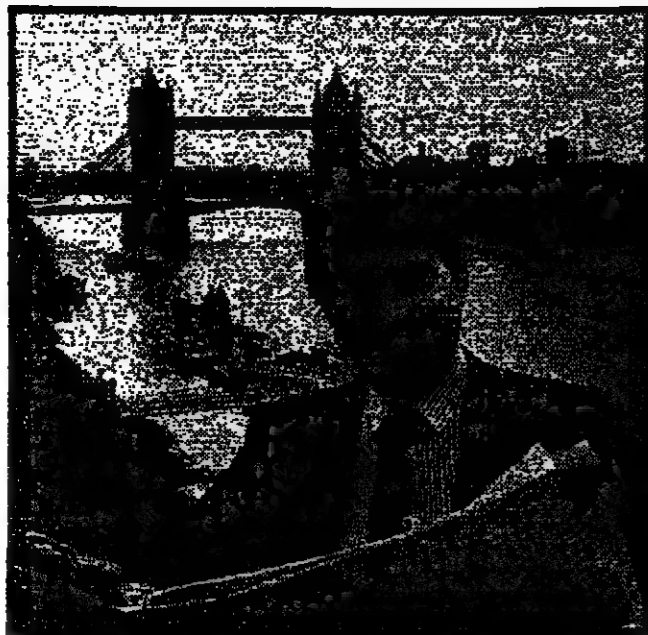
This is the second time he has won a prize by forecasting the FT Index correctly. Three years ago, in a competition organised by a Sunday newspaper, his prediction for the index was correct up to two decimal points.

Paul is a 40-year-old chartist. For the Readers Race, he used a small graph of the FT-SE In-

dex printed in the Weekend FT and extrapolated the upward trend in line to the appropriate date with remarkable accuracy. But, like all good chartists, he hedged his bets by sending in another entry which predicted a downturn.

Paul chose Cons Gold because, in his own words, he is a "raging bull" of the gold market and expects to make a fortune fairly shortly.

A member of the Stock Exchange Rifle Club, he is taking a team to Australia next year to celebrate the country's bicentenary.



Chris Paul... a dedicated chartist

Lloyds' card rate changed

LLOYDS BANK has decided to change the interest rate for overdrafts taken out by American Express Gold Card customers. Instead of changing a maximum of 2.5 per cent above base rate from November 5, it will change the rate to a flat 1 per cent monthly (equivalent to 12.6 per cent annually).

While base rate remains at its present level of 11 per cent, the new method used by Lloyds will make it the cheapest form of borrowing for holders of gold cards. However, if base rate drops below 10 per cent, then Lloyds will be more expensive.

Lloyds says the change is in line with its general policy of moving to managed monthly interest rates, which it claims do not have to be changed as often as those tied to base rate. It adds that managed rates are

easier for customers to understand and plan ahead. American Express said it had been consulted but it was a decision for the bank which provided the overdraft funds. It is not changing its rate for gold cards issued by the American Express bank or the Royal Bank of Scotland, which promotes the same card.

Lloyds has already gone its own way with Access, another joint exercise. It recently raised its charge to 1.8 per cent a month while other Access banks stayed at 1.75 per cent. The overdraft facility, allowing customers to borrow up to £10,000 guaranteed without having to ask, is one of the prime attractions of gold cards since it provides one of the cheapest forms of short-term loans with no specified repayment period.

J.E.

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To qualify for the 50p price and free units, post the coupon opposite with your cheque made payable to Commercial Union, to reach us no later than 23rd October for maximum discounts or failing that 6th November to qualify for the fixed price offer.

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General Information: Estimated gross yield of the initial offer price: 0.75% European Growth Fund, 0.25% Far Eastern Growth Fund and 1% American Growth Fund. Net income is reinvested automatically on 20th November for European Growth Fund; annually on 31st May for Far Eastern Growth Fund; annually on 31st May for American Growth Fund. Each distribution will carry a tax credit at the basic rate of tax. * Ex-dividend dates: European Growth Fund 20th September; Far Eastern Growth Fund 21st March; American Growth Fund 31st March. * Managers: Commercial Union Trust Managers Limited. * Trustees: Chase Manhattan Trusts Limited, PO Box 24, Wimpole Street, London, EC2P 2PH. * Initial charges: 1% (provided by the offer price). * No annual charge of 1.2% plus VAT for all 3 Funds is deducted from the income of the Unit Trusts. * If you invest in the CU Unit Trust Funds through a qualified intermediary, commission will be payable by CU — when available upon request. * Units may not be sold to US residents and the managers reserve the right to refuse any application which is made by a person resident outside the UK. * To be eligible for these offers persons must be 18 years old or over. * Prices and yields will be published daily in the Financial Press.

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Unit trusts

FINANCE & THE FAMILY

Eric Short offers insurance advice to householders

How to ride out a storm

MANY readers living in southern England will, like me, spend this weekend clearing up the debris of broken tiles, and slates, uprooted trees and shrubs and shattered cars and greenhouses.

How do householders hit by the gales and floods deal with such situations and what kind of insurance claims are likely to be made to help cover costs? The golden rule is to take immediate action to limit the damage. Householders should not wait until they have informed their insurance company. Builders cannot be expected to make instant repairs — their workload will be too great. Much of the initial work may have to be done by the householder.

One should make temporary repairs to roofs and windows, to prevent further damage from rain seeping in. Holes in roofs where tiles have been blown off should be covered with tarpaulin. Broken windows should be boarded up.

If the house has been flooded, the immediate task is to get walls and floors completely dried out and carpets and furniture cleaned up. Do not hurry to redecorate or put the carpets and furniture back.

Householders should inform their insurance company or insurance broker as soon as possible of a pending claim. They should not wait for builders' estimates of the cost of rectifying the damage. This can be dealt with later.

Once temporary repairs have

been done, the householder can then see about getting the damage permanently repaired. Estimates of the cost should be obtained and sent to the insurers. Technically, their approval is required before repairs can proceed, but in most cases the go-ahead is given automatically.

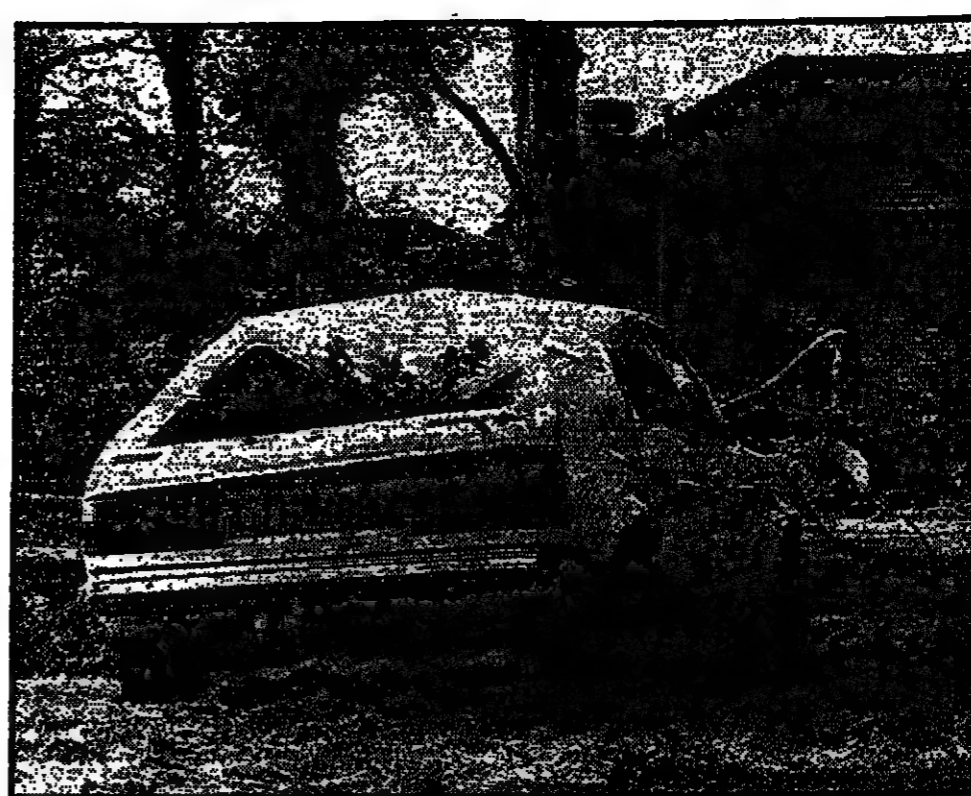
Where damage has been extensive, the insurance company will send in loss adjusters to assess the damage, and repairs may take a little time.

Normally agents or brokers can deal with claims of up to £500 on the spot without seeking prior approval from the insurance company. With bigger claims they can make an initial ex-gratia payment and follow up with further staged payments.

Your housebuilding insurance policy will cover damage by storms and flood to the main building and usually to outbuildings such as sheds and greenhouses, providing they are not of very flimsy construction. Damage to fences and boundary walls is covered by some insurance companies.

Gales do not come under the Act of God provisions in insurance companies. But you could have a problem if your neighbour's tree has fallen on your car and you do not have a comprehensive motor insurance. You can only sue your neighbour for negligence if you can prove that you had previously warned of the possible danger.

Damage by water to furniture



Car owner's nightmare: the case for comprehensive insurance

and fittings in the house is covered by the house contents policy. Insurance should cover the cost of cleaning and renovating carpets and furniture, as well as redecoration.

If any item is beyond cleaning or repair then the insurance will meet the cost of a new replacement. But householders will be discouraged from using this as an opportunity to get new carpets or furniture when the existing ones can be stored or repaired. If in doubt, consult the local branch of your insurance company or their insurance broker. They should check the nature of the cover provided.

Damage caused to cars by storms or floods, or by trees and tiles falling on the car, is

covered by the motor insurance policy as accidental damage. Motorists who do not have comprehensive cover will not be able to claim for such damage.

The local branches of insurance companies have always been available to give advice to householders on how to deal with such problems. This advice may be general or may be extended to recommending particular builders or plumbers for repairs.

Hamble Legal Insurance Services has recognised that what householders need in such situations is specific advice and has extended its phone-in advice service to include recommending tradesmen for repairs and renovations.

The major insurance companies are now considering formalising what has been a very informal service by recommending builders, plumbers and other services to deal with house insurance, rather than recommending garages to handle motor insurance claims. Sun Alliance has just begun a pilot scheme, testing out the service that can be provided by local builders and plumbers in such emergencies.

A final note of warning: the snow and frost has yet to come. Householders should check that water pipes are adequately lagged and that the loft has adequate heating. And water tanks should be drained if the house is going to be left unoccupied — even if only for a night.

Trusts get a fresh image

SCOTTISH LIFE has adopted the names of famous explorers to launch a fresh image for its trusts.

A new Drake trust is named after the great Elizabethan seaman who sailed around the world. This reflects the strategy of seeking out the best investment opportunities world-wide. Indeed, the investment manager will have complete freedom. There will be no restriction to any one sector or area and he can invest in small markets and small companies wherever appropriate.

Scottish Life does not stop there in its marketing innovation. The Drake trust becomes the flagship for four existing trusts, which are renamed to fit into the new image.

The existing British fund becomes the Nelson fund, the American fund becomes the Columbus fund, the Pacific fund becomes the Marco Polo fund, and the European fund becomes the da Vinci fund (the one non-explorer in the line-up).

With all this marketing hype, investors are having their attention diverted from the main feature of any unit trust group — its investment expertise. Scottish Life intends to market these funds on its investment record, mainly in the unit-linked life sector where it has been picking up awards from the various magazines specialising in performance measurement tables.

E.S.

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Offset interest against tax

SINCE 1974 the British tax code has greatly curtailed the circumstances in which interest paid can be offset for tax purposes. But relief remains available when the borrowing relates to property which is let or was applied to purchase or improve a principal residence — both of which are situations in which expatriate Britons frequently become involved. The acquisition of property in the

UK ranks as a high priority for many of them — and not just when return to the UK is imminent.

You would naturally expect that no relief for interest paid would be forthcoming unless you were actually subject to tax. Somewhat surprisingly, since the introduction of MIRAS (mortgage interest relief at source) in April 1983 this is not necessarily so.

Although all major British providers of mortgage finance have been approved to operate the MIRAS scheme, it does not apply to private loans — say from a parent or a family trust. In such cases, you obtain relief for the interest paid only if you have other taxable British income against which it may be offset.

The scheme excludes some borrowers — those whose salaries are exempt from UK tax by "some special exemption or immunity." This rule disbars foreign diplomats and service men in the UK but not British expatriates, for their earnings avoid UK tax not as a result of any special exemption or immunity but by application of the general law. There are, however, other detailed rules which they must surmount.

The loan (maximum for this relief £80,000) must be applied to the purchase or improvement of a property in the UK which is used wholly or to a substantial extent as the only or main residence of the borrower, a former or separated spouse, or a dependent relative.

The revenue's interpretation of this test has undergone some changes, but in the case of a property retained for the borrower's own use, the current requirement is that he or she (or in the case of married persons one of the spouses together with any children of the family) must live in the property for periods totalling six months more in every year. (It will not, of course, matter if older children are away at boarding school or university.)

If you are employed full time overseas but cannot comply with the general rule, you may nevertheless be able to obtain the relief by reason of an extra statutory concession.

First, you must be able to show either that the property was used as your main residence before you went overseas or that it was purchased during a leave and then lived in for three months by whichever of you and your spouse had the overseas employment.

Furthermore, the duration of the employment must not exceed four years, following which you intend to resume full-time residence in it. But after three months living there, the process could be repeated.

The mere fact that a property is let for short periods will not disqualify the interest from MIRAS — although it could not be charged as an expense in the letting account. But in the case of more substantial lettings you would need to seek relief for your interest under other provisions.

Rents from the letting of UK properties are chargeable to British tax wherever the owner lives, although all revenue outgoings — including interest to purchase or improve the property — may be offset. However, for the interest to be allowed, the property must be let for at least 26 weeks in any 52 week period and for the rest of the time must either be available for letting or unavailable because of construction or repair work or because you are using it as your principal residence.

Should the interest be more than sufficient to reduce the letting profit to nil, the excess can be set off against income from similar lettings or carried



forward and relieved against profits of subsequent years.

Alternatively, if the letting qualifies as a business, relief will be available if the interest is "wholly and exclusively expended" for the purposes of the business. Interest on loans for maintenance such as decoration or the purchase of furniture for example would then be relievable.

But whichever of the various rules apply, you should bear in mind that tax relief will not, in practice, be available for interest paid on loans advanced outside the UK.

These are not eligible for MIRAS and cannot be relieved in any other way unless tax at 27 per cent is deducted on payment and immediately made over to the revenue — a condition to which few overseas lenders will consent.

But those who use overseas loans to acquire British residence will be able to obtain tax relief for interest paid on replacement British loans after residence in the UK resumes.

Donald Elkin

Weekend Business

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THE WAY IN TO UNIT TRUSTS

MON OBS

THE WAY IN TO UNIT TRUSTS

Take a pinch of salt...

Richard Waters looks at another aspect of what to look for in company reports

IN COMPANIES' annual reports the financial statements, such as the profit and loss account, balance sheet and funds statement, deal with "hard" information drawn up according to prescribed rules and verified by auditors.

But most annual reports contain a lot more "soft" information, which should often be taken with a large pinch of salt. The chairman's statement, for instance, is not audited and presents the company in the best light.

Sorting out the useful from the misleading is only possible if the reader is prepared to dig deeper for evidence of explanations presented and to test the management's claims.

The accounts of most large companies have had a facelift in the past few years. This is generally good news for readers, since information is normally better presented and more accessible.

But it also means that window-dressing is becoming common as canny publicists find new ways of dressing information in its finest garb. At best, the information stands out clearly; at worst, the facts are hidden away in unpalatable notes to the accounts (invariably in the smallest print and on the lowest quality paper).

Accounts begin with "financial highlights." These show, often with the use of elegant graphics, the key financial highlights of the previous year, such as profits and earnings per share growth.

The astute reader will notice that the graphs virtually always point upwards. This may be because the graphs which point down have been left out, for it could be that previous year's figures have been restated so as to make the latest year's more attractive.

The highlights are not audited and it is not unknown for unscrupulous managers to massage figures to present the right impression. The high-

lights are best glanced at briefly, and should not be regarded as a handy abbreviated version of the full accounts.

The chairman's statement, which presents the company's views on its performance and prospects, is also designed to instil confidence. Nevertheless, it is usually a good starting point: whatever gloss the chairman puts on the facts, he cannot help but highlight the main issues.

It is common for chairman to blame a bad performance on extreme competition in the markets in which they operate, on their suppliers, on political factors or on anything, in fact, except bad decisions by the directors themselves. The reader should question these excuses, and look for what the company is doing to overcome the obstacles.

A good chairman's statement should help the reader to assess the company's prospects. It should cover such external factors as the state of markets, the strength of currencies in which the company receives its income, and so on. It should also explain internal matters, like the company's strategy and how much it is spending on research and development for its future prosperity.

The narrative is often contained in a chief executive's report or operational review. In the best annual reports, these are vital parts of the document. A company should explain how it has done in each area of its operations. It should include an analysis of turnover and profit by sector. Companies operating overseas should also provide an analysis by country.

Most large companies operate in more than one country or more than one market. These breakdowns are the only way a reader can get below the surface of overall performance to find out about the health of each part of the business.

A handful of companies also analyse the assets, and capital, tied up in various parts of their business. This, again, is key information. It allows the reader to assess what return the company is making on its assets.

For instance, a company may employ most of its assets or



capital in one part of its business, but make most of its profits in another. This may be natural: some types of business are more capital-intensive (they tie up more of the company's resources) than others. But it raises the question of how the company should use its resources to best effect in the future.

Much of this analysis, if not found here, may appear in one of the first notes to the account of the first notes to the accounts. Too many large companies hide behind the excuse that this information is a commercial secret. In reality, those with a good story to tell are seldom slow in telling it.

Unlike the chief executive's review, much of the content of the directors' report is prescribed by the Companies Act. Companies must disclose, for instance, the shareholdings of the directors, and how these have changed over the year.

Any interest the directors have in contracts involving the company must also be revealed. Much of the information in the directors' report may be of little use. Requirements to explain the company's research and development policy, and its attitude towards employing disabled people, usually elicit little more than platitudes. Of more interest may be the disclosure of how much it has contributed to political parties and charities, and whether the company's auditors are to be reappointed. Auditors are hired or fired by directors, even though in theory this is the shareholders' job; it is very rare for shareholders to disagree with the directors' choice. Any change of auditor should be fully explained.

John Edwards on the launch of the Royal Mint's bullion coin

Britannia's golden image



Coining it: Britain's answer to the Kruggerand

BRITAIN'S new gold bullion coin, the Britannia, was officially launched by the Royal Mint this week. It is available in four sizes — 1oz, 1/2oz, 1/4oz and 1/10thoz — of 22 carat gold alloyed with copper. One side of the coin, the reverse, features an image of Britannia, specially commissioned from Philip Nathan, a former engraver at the Royal Mint. The obverse side has a portrait of the Queen by Raphael Maklouf.

In the UK, because of the coin's name, a special arrangement has been made for the Britannia Building Society to be retailing agents. It will also be available from banks, stock brokers and bullion and coin dealers.

As legal tender the coins have an artificial face value — it is £100 for the one ounce coin. But the real price at which it will be traded is, as with other gold coins, to be based on the daily movements in the bullion price, as expressed in the two London "fixings," plus a premium and Value Added Tax. At current levels a one ounce coin will sell at between £330 and £360 in Britain, including around £50 VAT.

The addition of VAT, which has effectively killed demand for bullion coins in the UK, is

expected to confine sales in Britain to a few enthusiastic gold and coin "bugs" and hoarders. For collectors the Royal Mint is producing special proof sets in limited editions priced at well above the bullion price, since proof coins are highly polished and sold in presentation cases.

You can legally avoid paying

VAT by buying and storing the coins offshore, such as via banks in the Channel Islands or Switzerland, but this often does not appeal to the basic instincts of hoarders who like to hold a tangible asset rather than a piece of paper.

Nevertheless, the Royal Mint hopes that the Britannia will be a big seller in world markets

helping to fill the void left by the import sanctions against the Kruggerand, which led to its production being discontinued. There is strong competition from a variety of other gold coins like the Canadian Maple-leaf and newcomers such as the American Eagle and Australian Nugget.

The Royal Mint, a government department run on commercial lines, is hopeful that it can capture at least 5 per cent of the world market for 1 oz coins estimated to total about 5m ounces and improve its already sizeable export earnings from minting coins. The difference is that the Britannia will use gold bought from world market sources, while most other coins are a vehicle for selling the producing country's domestic gold production in a more profitable way than selling bullion in bulk.

The Sovereign gold coin will continue to be traded in Britain. The weight of gold it contains, however, is only 0.2354 ounces. Britannia coin can be obtained by telephoning 01-200 0200.

Futures package

SAFETY and high risk, combined in one package is the deal offered by the Investment Guaranteed Commodity Fund launched recently by London futures brokers, Rudolf Wolff. Combining a money-back guarantee with a futures fund investment, is not a new idea. But Wolff's has taken it a stage further by providing an extra form of security to ensure you get your money back—a guarantee certificate counter-guaranteed by a major international bank.

So even if Wolff suffers a major disaster, the bank will still guarantee that you get your money back as promised. Wolff has also cut the period for which you have to lock your money away for it to be returned in full to four years. This means that the percentage of your total investment deposited with the bank, earning a sufficient return for it to grow to the guaranteed amount in four years, is quite large so there is less available to "play" with in the futures markets.

Nevertheless, Wolff reckons that it can achieve an attractive return even by using only a relatively small proportion of your total investment for trading purposes.

Dealing on margin in the futures markets means that there is a high leverage which can bring either rich rewards or disastrous losses. But even if Wolff, which spreads its money out among a range of futures contracts to reduce risk, does suffer a disaster your original capital is still safe in the bank.

The downside is that there is a minimum investment of £10,000 and you have to lock your money away for four years to get the guarantee—so you lose the normal return that money might have earned if it had not been used to provide security or Wolff's to speculate on your behalf in the futures markets.

J.E.

Remy and PEPs, please

THERE IS no hiding place for investors. Even if you take to drink, you are no longer safe from the blandishments of those seeking to sell financial services.

One of London's best known stockbrokers, James Capel, has decided to promote its wares via the drinks trade. In an unusual promotional tie-up, anyone buying a bottle of Remy

Martin cognac will receive, via a neck collar, an invitation to apply for what Capel calls its Privileged Investor Card.

Everyone applying will be sent a Privileged Pack which outlines the range of financial services offered by the group, including discounts on buying unit trusts and its PEP plan.

Brian Tora, of Capel, says the promotion is aimed mainly at

people who have not used a stockbroker before. However, by linking itself with a prestigious consumer product, it is seeking a higher profile in the private investor market.

The link with Remy Martin, which is sold all over the world, also fits in with Capel's plans to develop private client business overseas.

J.E.



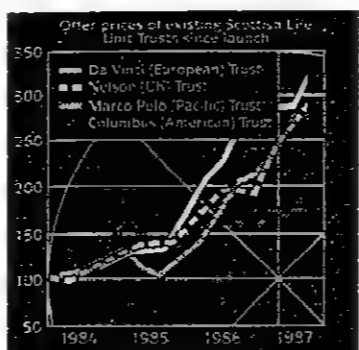
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Worldwide investments offer far greater potential than a single geographical area. Shifts in world markets are often very spectacular. In 1986 the Belgian stockmarket rose by 80%, the Italian market by 105% and Japan by 96%.

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price of units and the income from them may fall from time to time as well as rise.

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Scottish Life Investments

FT 17/10

Lifeline for bond salesmen

JUST WHEN bond salesmen thought they were about to go under the waves of the financial services legislation, a lifeline has been thrown to them by a less-than-ideal person than Sir Kenneth Berrill, chairman of the Securities and Investments Board.

The lifeline comes in the form of SIB's draft rules for regulating the unit trust industry, announced this week. They reveal that while the SIB has set out to protect the investor, it will achieve this aim by complicating the actual procedures for dealing in unit trusts.

For many people, ease of transaction is an important reason for selecting an investment. They will not consider anything that involves a lot of trouble in operation or has several unknown factors surrounding it.

Under the "best advice" and

"know your customer" requirements of the financial services legislation, a unit trust offers a better return to investors than the corresponding linked-life bond. And, under present conditions, the two vehicles are sold in similar ways.

Under the proposed rules, investors in unit trusts will not know at what price they can buy or sell them. The price will be fixed after their order has been received.

With life bonds, the present system will continue unless the Department of Trade and Industry can be persuaded to change it. The purchaser will know in advance how many units his investment will buy, or how much he will get for the units being sold, simply by looking at the prices shown in the Financial Times.

There is a further problem when buying unit trusts. Even if the investor is prepared to

take the historic price as a guide to the number of units he can secure for his investment, it is not a straightforward calculation.

Under the new rules, the management charge has to be shown separately from the offer price. So, this has to be included in any calculation. With life bonds, all charges are still included in the price.

The rules have not altered the investment attractiveness of unit trusts. But so long as the intermediary can show that bonds will produce a good return, many investors could opt for them just because they are easier to understand.

In producing its rules, the SIB has made unit trust investment comparable with direct share dealing—whereas the competition will still come mainly from life bonds.

Eric Short

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The PEP that isn't

BEWARE: the "First PEP Income Scheme" launched recently by New Direction Finance, claiming approval from the Inland Revenue, could be somewhat confusing.

In spite of the name it is not a PEP (Personal Equity Plan). It is a packaged product, combining a PEP plan managed by stockbrokers Kleinwort Greaveson, together with a Regency Life five-year guaranteed income bond (equivalent to a temporary annuity).

Under the scheme you are guaranteed (provided you are a standard rate taxpayer) an income of 12.10 per cent net a year—but you risk losing half your capital.

There is a minimum, and maximum, investment of £5,000, which is divided into half after the initial charges have been deducted. Of this £2,462 is used to buy five annual growth bonds from Regency Life to provide the guaranteed income of £305.11 a year by using up the capital.

At the same time the other £2,538 of your investment (the

maximum permitted) is put into a Kleinwort Greaveson PEP scheme in the hope that with the tax-free concessions it will grow sufficiently during the next five years to make up the capital lost in the Regency Life bonds.

In theory your original capital of £5,000—and possibly more—will be returned at the end of five years, during which time you have been receiving a guaranteed 12 per cent income.

However there is no guarantee that the PEP scheme will grow from £2,538 to over £5,000. If the UK stock market turns down for a sustained period your capital might well be lost, bearing in mind that PEPs can only invest in Britain and cannot seek much protection in overseas markets.

Putting the two parts together in one package does not seem to have any particular advantage. You can just as well choose any PEP scheme you like, which may or may not do better than the Kleinwort Greaveson plan, and put

£2,500 into a guaranteed income bond which pays interest and retains your capital.

Time Assurance Society, for example, announced recently a new rate for its guaranteed bond yielding 8.75 per cent per annum net to a standard rate taxpayer over five years, with the original capital being repaid at the end of the period.

And Fidelity, one of the leading sellers of PEP plans, is offering a special discount of 1 per cent to anyone investing the maximum of £2,400 before December 18. You are only entitled to take out one PEP plan each year, so Fidelity is aiming at those who have waited until nearly the last moment to take the plunge this year.

Fidelity claims to have more money invested in PEPs than any other company, with over £60m under management for 26,000 clients. The value of their investment has risen by 32 per cent so far and the company is confident the number of PEP investors will double by the end of the year.

John Edwards

Degree course in saving

NEVER MIND what Education Secretary Kenneth Baker is planning. One area where the present education system seems to fall down is in teaching students to deal with money.

Although the banks and their associated credit card organisations do not appear to be too concerned at the ready access to credit now available, and claim that only small percentages of their student customers get into real trouble, many worried parents would appreciate a more responsible approach.

Not all the banking schools adopt this casual attitude. The Yorkshire Bank has just launched an impressive student pack. It contains four separate packages of information and advisory notes, ex-

pressively produced and presented, and well thought out.

The material is designed to appeal to a wide range of students (and their teachers) from primary school to university level, so far as giving details on establishing your own business.

The first section provides a "Background to Present Day Banking," explaining the services provided by a bank, and how computers are used. The second covers "School Bank Savings Scheme" which describes a programme devised by the bank to introduce the importance of saving early in a school career.

Yorkshire Bank says that more than 3,000 schools throughout the Midlands and the North of England operate

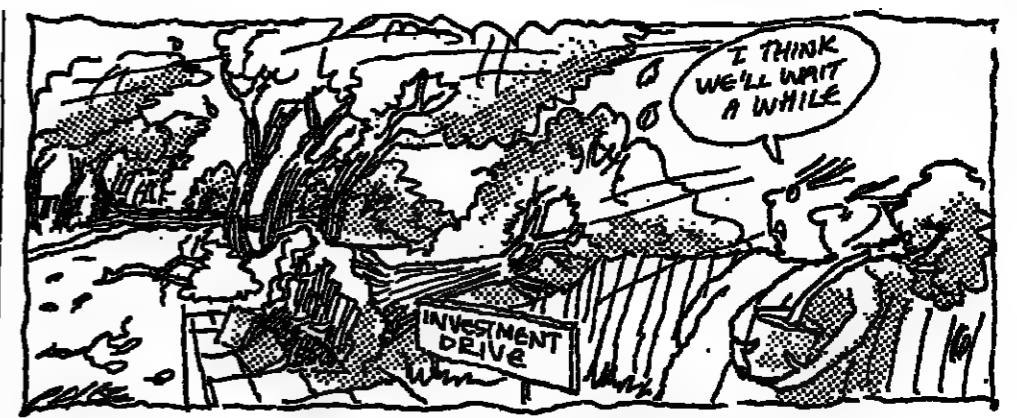
these schemes which it has been arranging since 1974. The pack includes a computer program (on disk) to set up a deposit accounts system using the school's computer.

Section three deals with "A Career in Banking," explaining what qualifications are required, what would be expected of a new recruit, career prospects, and lists to show how problems at work can be solved.

The final section, "School Business Ventures," covers setting up and running your own business, and suggests how a school can set up a business venture.

The approach throughout is simple and sources of further information are provided.

Tony France



Diary of a Private Investor

Time to be cautious

In the first article of a revived series, Kevin Goldstein-Jackson says the markets are too nervous to be trusted

WHATEVER happened to those pleasant days of "sell in May and go away" when it was quite safe to dispose of shares, have a carefree summer holiday and then buy again between say, mid-August to early September?

These days, with rapid and dramatic rises and falls in the stock market, a continuing stream of takeover bids, new issues, rights issues and all manner of other events, it seems difficult to go away for even a week without something happening to affect my share portfolio.

On August 1 my FT article was headlined "Fear of the Crash." Five days later, as if by magic, the London stock market suffered its greatest one-day fall.

Late in July I started to accumulate cash by selling some of my unit trust investments,

and took profits by selling part of my holdings in companies such as Neil and Spencer (bought for 231p each in July 1986 and sold for 38p).

Most of my share portfolio is in "special situations" where I am hoping for takeover bids or for city analysts suddenly to "discover" them as being undervalued. So, I did not worry unduly at the drop in share prices in August; I hoped it was only a temporary correction to a generally over-valued market and I had already cashed-in about a tenth of my portfolio.

In September, as share prices rose, I took some further profits by reducing my shareholdings in companies like NMG Investments (bought for about 121p each in 1981 and 1982 and sold for 205p), Fobel (bought for 32p in October 1985 and sold for 171p) and ERA group (bought for 121p in May 1986 and sold for 168p). My wife reduced her holding in Newman Industries (bought for 40p in July 1986 and sold for 75p).

I feel it is never wrong to take some profits. Of course I might well miss out on a share going much higher, but at present I would rather have cash in the bank than just unrealised

profits on paper and hopes of things to come. I still retain shareholdings in a wide range of mainly small companies, but I am much more cautious about buying shares now than I was last year. For example, in September I bought shares in two companies: Midsomer Leisure and the newly floated Dolphin Packaging. Dolphin, I felt, had great potential with the new funds behind it, and Midsomer looked an interesting speculation.

I bought Midsomer shares for 500p each as British and Commonwealth still owns, I believe, more than 1m of them. I am hoping B&C will expand its leisure interests and that this might involve Midsomer. Although I am still waiting for something to happen, Midsomer shares this month have been over 540p (although they dropped when its bid for Boddington's Brewery was announced).

I sense that stock markets around the world—particularly Wall Street—are very nervous and further sharp declines could well occur. It is better to stay out of the market unless a particular share has an almost irresistible appeal.

CHESS

APART from K v K in Seville, the chess talking point of the week has been the publicity for Tony Miles's decision to represent the United States rather than Britain in future international events. In fact, Miles's change of allegiance is several weeks old and has already been publicised in several chess magazines and columns.

Miles was the first British grandmaster to win in 1980 of a spectacular game against Anatoly Karpov with the bizarre opening 1. P-K4, P-QR3; and regular No. 1 for England in the chess olympics. His new move might look analogous to the emigration or defection of Spassky and Korchnoi from the Soviet Union, but players here have reacted with surprising phlegm.

Miles's chess has been played at an increasingly cosmopolitan style for some years now since he became the regular top board for Pers in the West German Bundesliga and acquired residence in Cologne. The surprise is rather that he should choose the US, which already has many strong ex-Soviet immigrants such as Alburk and Gulko and where, despite high tournament prize funds compared with Europe, competition among professionals for limited opportunities is unusually stiff.

Some commentators here have

bevalled Miles's decision as a blow to England's hopes in the 1988 chess olympics following its silver medals behind the USSR in 1984 and 1986. But Miles has rarely shown optimum form in olympic team competition—his greatest achievements are in individual events like Tilburg—while England has several talented young players whose sharp attacking styles are suited ideally to olympiad play.

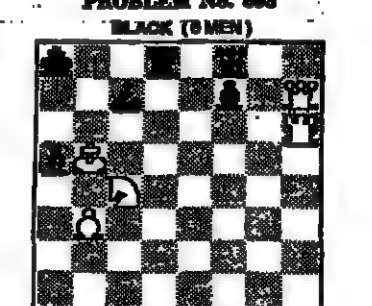
What also seems true is that Miles's form is in crisis after a decade at the top where he was never quite able to become a credible world title challenger. His drastic 1-4 defeat against Karpov in a non-title series in Switzerland could have left a profound mark.

Miles failed at the Zagreb international in August (14th out of 17) where he also suffered more than most competitors from builders at the hotel venue; but his first event after switching to the US was a greater disaster and probably the worst result of his GM career.

At San Francisco last month, immediately after the USCF announced that Miles would be an American representative in future, he finished 11th out of 12 in a category 10 international, winning only one game and copping some 30-35 FIDE rating points. Earlier in the summer he tied for first at the World Open, but the net effect of Zagreb and San Francisco might well be that he will drop

out of the world top 50 for the first time in a decade. Miles has been a pioneer for British chess: his grandmaster title and victory over Karpov, plus frequent demonstrations that the Russians could be beaten, have helped to inspire a whole generation of young players. But in terms of present form, his decision has saved the England selectors an awkward choice, while the young IMs eager for opportunities may see it as their chance to become established grandmasters.

PROBLEM No. 693



White to play; how can he win? (Usually only a single line of play, around half a dozen moves deep, and many solvers are likely to see White's opening move. After that, it becomes harder and a test of imaginative flair.)
Solution Page XXXIII
Leonard Barden

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TRAVEL • MOTORING •

Annalena McAfee treads in the footsteps of Churchill

Have some Madeira, m'dear

WHEN Captain James Cook landed on Madeira in 1788, he declared the island was "the recipient of Nature's most liberal gifts." This bounty included a climate admitting only two seasons, spring and summer, and a soil of extraordinary fertility. This bounty beckoned in the Atlantic, only 35 miles by 13, bristles with more plant life per square inch than the average Victorian bottle garden.

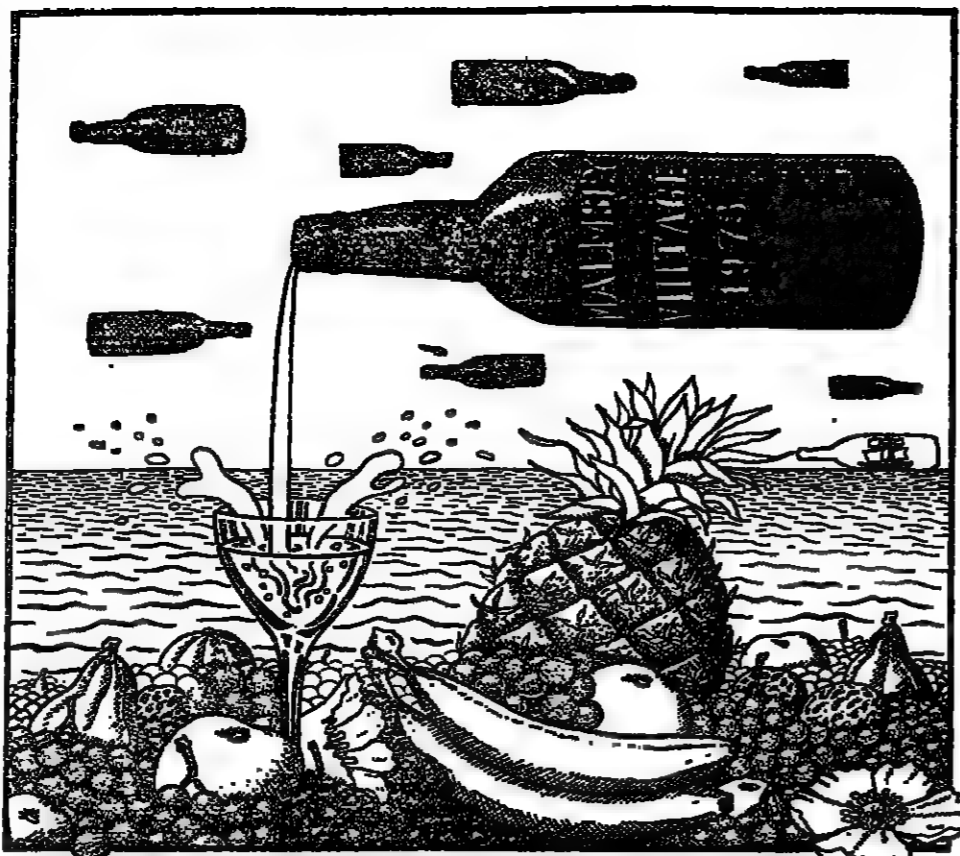
Sited on a major seafaring trade route, Madeira has been a haunt of botanists for centuries. Captain Cook's Endeavour expedition included a number of plant-hunters who collected specimens with an enthusiasm more usually associated with buried treasure.

In turn, Madeira hosted and eventually naturalised many flowers, fruits and vegetables from all over the world on its assiduously-cultivated mountain terraces. Papayas and mangoes were introduced from South America, dwarf bananas from the Canaries, guavas from Brazil, pineapples from the Azores. From Brazil, also, came three types of passion fruit, used in the soft drink Maracujá. From Crete came the Malvoisie (Malmeuse) grape that first gave Madeira its unique, spongy, fortified wine.

For a snapshot impression of the island's coruscating, the covered market in the capital of Funchal is a vast arena where colours compete for attention — arresting oranges (the bird of paradise flower), red pinks (roses so perfect they seem to be made of marzipan), citrus yellows (mimosas) dazzle alongside abundant mounds of exotic fruit.

Downstairs, the atmosphere is, appropriately, more subterranean and the air less fragrant. Heaps of what appear to be glistening black leather straps hang over trestle tables. These prove to be piles of black espada, a fish whose hideous appearance—with jagged teeth frozen in rictus — belies its superb flavour and delicate texture.

The espada is caught at depths of up to 3,000 ft, mainly off the fishing village of Camara de Lobos. It was here, overlooking the small bay that is the island's watercolour, the artist painted his watercolours. The



Anthony Brown

Winston Churchill liked to sit on the terrace of his favourite spot, with views of the long-prowed boats, as gaily painted as children's toys.

Madira has long been a favourite winter retreat of the genteel British. Several restaurants in the Madeiran capital offer English fare, including roast beef and Yorkshire pudding. But it was the son of a Scottish crofter who created the hotel which became synonymous with luxury on the island. Given the sum of £5, William Reid was cast out from his Highland home at the age of 14 and sent to make his fortune.

He duly did, first in the Madeiran wine export trade and then in the hotel business. Reid's Hotel, set on a cliff in 10 acres of sub-tropical gardens, still recalls the elegance and

serenity enjoyed by the glided few in the days when the map of the world was a pink as their gill.

It was at Reid's hotel that George Bernard Shaw met, in his own words, "the only man who ever taught me anything." This was the resident ballroom dance tutor. The refined gaiety of the place must have been infectious, for this was the first time GBS seriously loved the dance floor.

Tea at Reid's remains an institution, partaken in reverent silence seated in plush chintz chairs. The silence is an involuntary mark of respect for the ritual, but it also ensures that there is minimum wastage of the scrumptious pastries which accompany the perfect pot of tea.

Another Madeiran treat is a

visit to the Museum of Sacred Art, which houses a remarkable collection of religious paintings, vestments and sculptures from the island's many beautiful churches. The museum is housed in the 18th century Bishop's Palace, the vast, regal choral rooms linked by an imposing staircase.

Naïve, crudely painted wood-carvings of saints and powerful 18th century pieta contrast with opulent gold and silver filigree crosses and thurifers and a chalice hung with amethyst. A beautiful 18th century statue of Archangel Raphael, with a profile uncannily recalling an Edwardian aesthete, stands in a gilded glass case like an exquisite French clock. A small carved Virgin, surrounded by stars and flowers, has to contend with serpents and pagans. The shrubs wrestling beneath the hem of her skirt.

But the real splendours of the museum are the 15th and 16th century Flemish religious paintings, another legacy of the island's key position on the great mercantile seafaring route of that period. Most outstanding is a wonderfully sensual Mary Magdalene, her eyes puffy from lack of sleep or excess of tears, attributed to Hendrik Met de Bles. Of several vividly coloured, but it is easy to confuse them with other far less subtle.

For many tourists, the perfect antidote to an afternoon of Sacred Art will be a spot of conspicuously profane consumption at the Madeira Wine Company. Here, at one of the oldest working wine lodges on the island, visitors can languorously sample the dry Sercial and Verdelho, the sweeter Boal and the honeyed Malmeuse before settling on the bottle—or crate—of their choice.

TRAVEL DETAILS: TAP AIR Portugal (01-525 0262) flies to Madeira via Lisbon. Flights start at £297 return at high season (July 10 to September 13) and £189 off-peak. Caravela (01-630 5366) offers packages to Reid's Hotel from £291 per person, including return fare. Thomas Cook (01-499 4000) also offers packages to the island, including seven nights at the modern, Casapal Hotel from £267, including fares.

V. Mallet

There's nothing anywhere like

Ninfa, says Robin Lane Fox

Garden where magic rules

I HAVE just seen the most romantic garden, poised at a critical moment in its history. Until five years ago the name of Ninfa would have meant nothing to me: I would not even have known that it had once been a flourishing mediaeval town, set in the marshes south of Rome.

Then, independently, two great English gardeners told me they thought Ninfa was the most magical garden in the world. I was surprised. There seemed to be nothing in any garden book and no knowledge of the place among the average keen Englishman. Yet the site has been owned by the same Italian family, the Caetani, since it was given to them by a pope in 1297.

It was turned into a garden in the 1820s, at exactly the time when we all enthuse about Hidcote and Sissinghurst and the efforts of their founding geniuses. Nobody seemed to mention Ninfa in the same context; but here it was, being commended as the equal of those great places.

Two weeks ago, I saw the garden; and although the owners were over, it was obvious that my informants knew their facts. Ninfa combines elements which co-exist nowhere else with a great collection of plants. It is a charming mediaeval buildings, handsomely-ruined churches, old walls, a moderate climate and a clear, swift river.

Whereas Sissinghurst was planned in the remains of a huge old Tudor castle, Ninfa lies beside that enchanted river and the abandoned ruins of an entire town. It is mild and lush and it has been created by three successive generations of Caetani with Anglo-American taste and civility as well as sufficient funds and knowledge to make the most of its extraordinary site.

There may be even better plantings, but there is nothing like Ninfa anywhere else. I hope it will not spoil things if I say that a visit in April or May is not my first priority and should, surely, be yours.

To find it, you need to go south beyond Nemi and the woods of Frascati, Golden Bough and look for Serraneta on your map, about 50 miles

south-south-east of Rome. To get into it you need to make careful arrangements, which I will explain after enticing you.

Ninfa's garden has matured and its huge Eastern magnolias, climbing roses, cypresses, cherries, water lilies and rare Asiatic shrubs are still near their peak. Half-hardy shrubs grow luxuriantly in its low-lying site, which was reclaimed from old marshland. The combination of running water and ancient ruins called out for a romantic wild planting which was stronger on drifts and canopies than on borders and formal groups.

Much of the impetus came from an American bride who was well aware of the new mood in English gardens of the late Edwardian era. By this route, the garden's style compares with parts of Hidcote and

other so-called "English" gardens made partly by Americans.

This taste passed to her children and ultimately to Lella Caetani, who combined the family's talent for planting with a gift for painting. She always liked to paint a site before she changed its flowers and design; she also married an Englishman, Hubert Howard, ensuring that the garden remained in touch with every thing England could offer.

As a result a familiar style has run riot in an unexpected setting. Up the tall Italian cypresses climb some of the thickest and biggest plants of Rose Kingdom that you could imagine. Clouds of white flowers cascade towards the walls of a deserted mediaeval church. There are enormous tricuspidaria with their lantern flowers, rare blue



Part of the garden at Ninfa. Anne Morrow

Autumn gold

pink and white flowers, followed by great crops of red berries that the birds can eat completely strip by Christmas.

Autumn from deep green to copper red. This can be a fairly brief display but while it lasts it is brilliant.

The only other colour I know that gives good value for money is the variety of C. Franchetii which may appear in some nurseries as stermisus and in others as wardeni. It is as different from C. Horizontalis as you could imagine the branches long and flexible, arching outwards to make a shuttlecock bush.

You will only need to buy it once, since it will present you with lots of self-sown seedlings which can be transplanted or given away to friends. In autumn the leaves become copper red; some more so than others, so it is worth keeping a watch for especially good ones.

The best berries for autumn leaf colour is the B. Phunbergii, but the wild plant is not spectacular in either flower or berry. In a big garden, this deciduous can be covered up by planting it with other kinds, but in a little garden I would go for one of the hybrids.

There are a lot of them but they do not figure much in garden centres, maybe because they are so wickedly spiny, Buccaneer and Pirate King are two of the best. As with the maples, no berries that have purple leaves in summer will change much in the autumn.



Some of the best autumn foliage colour comes from the rowans. All are trees, but most are not very large. They have attractively laddered leaves and good clusters of small white flowers in early summer, followed by red, orange, yellow, white or pink berries, and some have good autumn leaf colour.

For a small garden I would select Shearwater Seedings, a native mountain ash which grows upwards rather than outwards and so does not take up a lot of space.

Given a little more room to play with, I would plant Sorbus Sargentiana, a Chinese rowan with stouter stems, larger leaves which combine orange, scarlet and crimson as they ripen, and larger clusters of big, scarlet berries. It is in every way a magnificent tree, but garden centres do not seem to have recognised its worth, so it will almost certainly have to be obtained from a specialist tree nursery.

This is also true of Prunus

salvica, and sumptuous passion flowers.

The mimosa has been spectacular and the ruined public buildings, churches and walls of mediaeval Ninfa have found a new use. They are the homes for superbly white jasmynes, magnolias, and viable types of ceanothus.

When I saw it there had been no proper rain for five months yet it was as green as an English garden in autumn. Most of the plants are now served by watering systems where they are not close to the waterside: without its river, Ninfa would return to olives and maize.

In March this year Hubert Howard died, and the line of Caetani who wished to live in Ninfa ended. The Italian state would clearly have liked the garden, but the Howards feared marigolds and blue-grey conifers wisely left it to a Caetani foundation with orders that it should open about twice a month. The new director, Laura Marchetti, has worked for years with the owners' taste and wishes, as have the staff of five gardeners.

Of course, there are difficulties. The garden has been prone to honey fungus. It is most unfortunate that the Howards' last years saw three unimaginably cold winters which damaged some of the most precious shrubs. The death of an owner always casts a shadow and seems to encourage weeds.

However, it has a style of natural wilderness which ought to survive the problems. It also has the commitment and love of its Italian keepers, aware of their chance to continue a garden of a style and quality which exists nowhere else in their country.

To visit it, you must give warning. Open days, so far, have been the first Saturday and Sunday of each month from April to October: you need a ticket obtainable in advance from the Palazzo Caetani, Via Botteghe Oscure 35, Rome. Early spring is the time to visit, when visterias like tree houses are dripping beside the river, and old roses like General Sieboldiana are opening among pale blue lilies.

Sargentiana, one of the most beautiful of ornamental cherries, provided in tiny quantities compared with the favourites Kanan Pink Perfektion, Cheal's Weeping and Amanogawa.

These are all fine flowering trees but with very much to offer April to the leaves of P. Sargentiana are copper when they unfold; the flowers, which open at the same time, are single and pink. Like almost all blossoms in autumn, almost before anything else has started to colour, the leaves change to orange, scarlet and crimson. This is a bold tree, too big for a small garden but just right to dominate an open space shared by several houses.

Among climbers, the vines and their relations take pride of place. The best grape vine for autumn colour is the native mountain ash which produces small black grapes that will ripen in warm sunny places; but it is grown primarily for its deeply lobed leaves, which are green all summer and turn a deep copper red in autumn, except along the veins which remain green.

Vitis Coignetiana outperforms it in brilliance of colour and size of leaf, but it produces no edible fruit and grows so far and fast that it is for large gardens only.

The allied Boston Ivy and Virginia Creeper are sold in sheets of scarlet and crimson as their leaves ripen. They used to be called Ampelopsis—but but Parthenocissus is now botanically correct. Veitch is the one to choose for something to cling to a wall or fence: Quinquifolia will hang out of trees or scramble over trellis, attaching itself with little twisting tentacles.

Arthur Hellyer

Hotel Polana

Away from it all

"OH, YES, you had Sarah. Lucky you. At the Hotel Polana. With the Indian Ocean outside." These evocative words are addressed to Maurice Castle, hero of Graham Greene's novel, The Human Factor, by one of his British Secret Service colleagues fed up with the tawdriness of London.

Mozambique's capital Maputo (Lourenço Marques in Castle's day) and its famous seaside hotel have both had their ups and downs since the Polana was opened in 1920.

The hotel's classical facade remains uniquely imposing, and the dining room magnificent. The gilded lift-cage, manned by an attendant, still carries you sedately to your room. Provided you have obtained a sea-facing room (preferably one of the suites with a balcony), you can still lean out, faun, in the breeze, and watch the fishing dhows scudding across the bay.

But do not expect all the paraphernalia of the services of a modern luxury hotel. This is Mozambique, and if you want your laundry back the same day, you have to mark it "express" and pay extra. There are no robes on your bedside table,

no menus or guides to the hotel or fancy writing paper tucked away in a drawer. The radio probably does not work and soap is in short supply.

There are no taxis outside the front door, and the receptionist may laugh at you unkindly if you ask for one. Telephoning is painfully slow, and you will only occasionally get eggs for breakfast.

Few tourists stay in the Polana these days, although the beach is just up the road, but that is because few tourists now visit Mozambique at all. Spies probably still stay here. They came to spy during the war and watched the ships moving in and out of the port from the comfort of the pool deck. Businessmen, diplomats, journalists and international delegations find the Polana a pleasant temporary home and a convenient meeting place. They form the bulk of the clientele.

The Polana, once privately owned but now taken over by the Mozambique Government, has improved dramatically over the past few years. "It used to be a disaster," says the manager, Alexandre Dantas, who is on loan from the Portuguese com-



Touch of class

pany Estoril-Sol International. One week after arriving here in 1983 I said to myself that I was going back to Portugal. There was no food, no towels, no sheets and plenty of problems.

Cutlery was in short supply that diners would share a knife and pass it around the table. Food and drink are not the problems they once were at the Polana. Lunch and dinner are usually fixed menus with a choice of two dishes for each course. After trying Mozambique's famous prawns, you can enjoy the cool of the evening on the terrace overlooking the sea with a glass of European or South African beer or a bottle of Portuguese vinho verde.

● A standard double room costs approximately \$65 payable in foreign exchange. Address: Caixa Postal 1151, Maputo, Mozambique. Tel. Maputo 741001, telex Mozambique 9273.

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HONDA

THE ROADS of the United States are so one wonders how the federal 55 mph (88.5 kmh) speed limit lasted so long. It has now gone up to a dashing 65 mph (105 kmh) on certain interstate highways.

The "double dime" (55) limit was imposed to save fuel, and sustained in the name of safety. It seems odd, though, that while putting up with an absurdly low speed limit, the Americans still refused to make seat belt wearing compulsory.

When I was in Georgia the other week, trying the new Mazda 626 range, I did not actually see any 55 mph limits posted. But a high proportion of the local drivers had sensibly decided that if the road was clear and no police were about, even 65 mph was pretty slow for a six-lane highway in brilliantly sunny weather.

On the near-deserted rural roads, which are as beautifully engineered and surfaced as their German equivalents, bending the limit did not seem particularly wicked. But I was surprised to be overtaken at about 65 mph (105 kmh) in my 16-valve, 2-litre 626 coupe by a rust bucket of a pickup truck doing a steady 90-95 mph (128-137 kmh).

The new Mazdas, which went on sale this week at prices from \$8,719 to \$12,949, have power steering as standard. There are 16 models with 4-door saloon, 5-door hatchback or 2-door coupe bodies. New 4-

cylinder engines are of 1.8 litres capacity only in the two cheapest 626s, the LX saloon and hatchback. The others have 2-litre 12-valve engines, except for the range-topping GTs, and they have twin-cam, 16-valve cylinder heads and fuel injection.

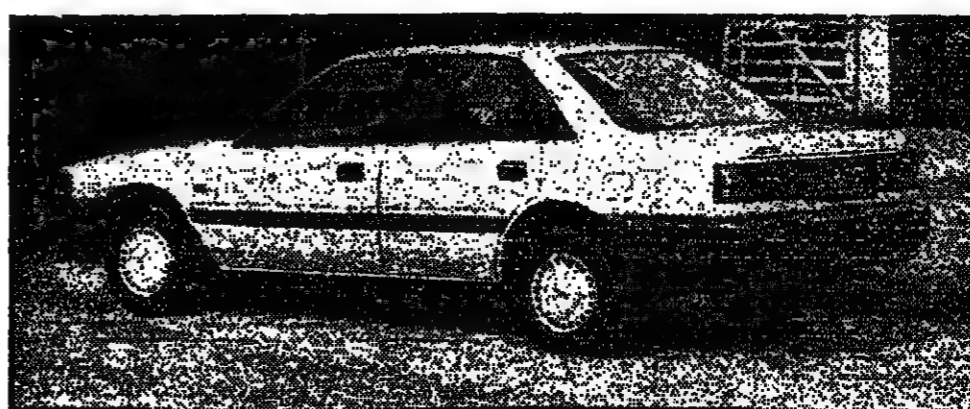
Mazda says the 16-valve cars are good for 128 mph (206 kmh). I saw nearly 120 mph (193 kmh) on the speedometer of a 2.0i GT coupe over the steeply banked Atlanta Speedway race track.

On the road this car, like the less potent ones I tried, was quiet and mechanically refined, with an excellent 5-speed gearbox and all-independent suspension that had little work to do on Georgia's smooth roads. A 4-speed automatic is offered on the 2-litre saloons and hatchbacks at \$450 extra.

Even the cheapest 1.8 litre LX 4-door has a tilt adjustable steering wheel, rev counter and a 60/40 split fold-down rear seat. The 626 2.0i GT 2-door

Stuart Marshall cruises America's wide-open highways in a 626

No limit to amazing Mazda



The Mazda 626 1.8LX saloon... competitively priced at £8,719

coupe comes with alloy wheels, power windows, power mirrors and power-operated glass sunroof.

The full specification makes the Mazdas look keenly priced compared with European competitors, especially as they all have a top class Clarion in-car entertainment system thrown in.

Like the previous 626, which had a model life of four years, the new cars are cross-engineered and front-wheel driven. Their

rear suspensions allow the back wheels to self-steer slightly under cornering stresses.

Mazda's electronically operated active rear wheel steering is already available in the USA and Japan on the 2.0i GT. A car fitted with it will be on display at Motorfair which opens at Earls Court next Thursday.

British sales are expected to start next Spring. Mitsubishi also announced a new sports saloon, the Sapporo,

this week. A roomy 2.4 litre, four-door, it takes the name of the Sapporo River in Japan, overshadowed by the faster and more glamorous Starion. I find it a difficult car to categorise.

The Sapporo five-speed manual I have been trying has front-wheel drive and the fuel injected engine gives it a 120 mph (193 kmh) maximum in extra (two-pedal cars) and air conditioning.

hard, to appeal to the sports driver, but the rest of the car seems to be aimed at buyers who want luxury and comfort.

For example, the steering is so liberally effortless for parking and town driving, but I found it disconcertingly light on wet, winding roads.

ABS brakes are standard and on the manual versions, is ECS electronically controlled suspension. It allows the driver to alter the ride height on the move from low (for motorways) to normal for every rough track or snow. ECS even makes wheel changing simpler and keeps the car level regardless of load, all of which will be familiar to any Citroen CX or CX owner.

What I liked about it most were the adjustable steering wheel, slick gear shift, the electric sunroof, mirror and windows, central locking, a good radio and the vast boot, which swallows a couple of golf trolleys with the bags strapped on and masses of room to spare.

On the debit side, the aerodynamic spoiler on the lid makes reversing awkward. It seems a pointless frill on a car like the Sapporo — though it would be handy to stand glasses on at point to point.

Prices start at \$12,999 for the manual and go up to \$15,043 for an automatic with ECS (on extra two-pedal cars) and air conditioning.

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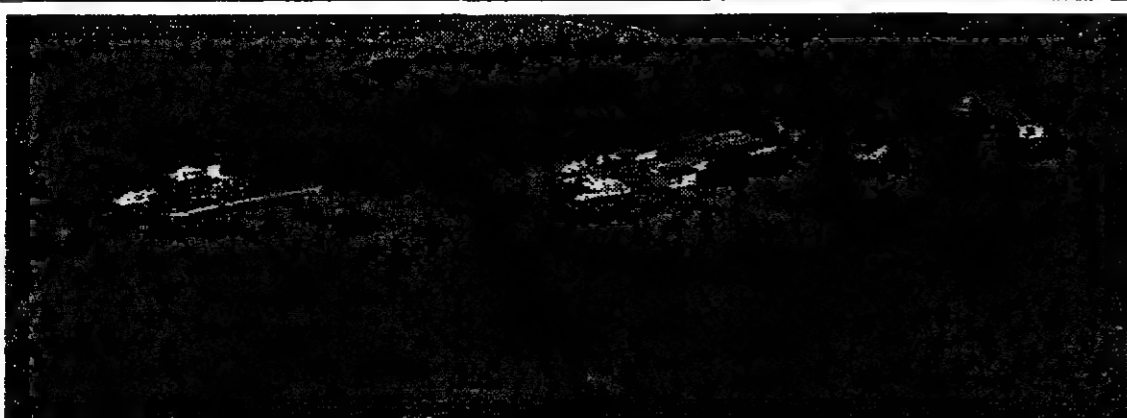
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XII WEEKEND FT

London Property

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No 1 THE PIER HEAD, LONDON E1

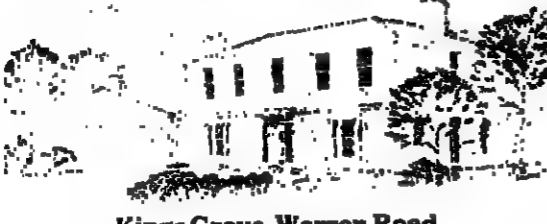


Probably one of the best preserved squares of its period in London, situated only a stone's throw away from the City/West End.

FEATURING A 30' DRAWING ROOM, THE APARTMENT AFFORDS SUPERB VIEWS ONTO THE RIVER.
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Kings Grove, Warren Road, Kingston Hill, Surrey.

Kings Grove is a new development of four luxury detached houses overlooking a landscaped 100-acre estate. The houses are built to the highest standards and offer a unique lifestyle. Each house has a large garden, a swimming pool, and a tennis court. The houses are built to the highest standards and offer a unique lifestyle. Each house has a large garden, a swimming pool, and a tennis court.

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John Brennan on the other side of London
Eastern promise

GO EAST young man. It's cheaper, it's quicker to get there, and the natives are just as friendly.

In this instance "east" means Norwich, Ipswich, Cambridge, Grantham, Stanstead—the other side of London from the high fashion, high cost home counties and western corridor out of the capital. The thought comes from Peter Bennett of Savills, who has been keeping a balance sheet on east-west values that should help to persuade prospective buyers to pull out a new set of maps in their hunt for a place in the country.

This does imply that at least a section of country house buyers is not committed to any one specific county or area within that county, a phenomenon at odds with normal buying behaviour in the rest of the housing market.

Seven in 10 home buyers nationally move less than three miles when changing their house or flat; most of the rest have specific destinations in mind when they move with their job or for family reasons.

But in recent years much of the demand in the country house market is in an ever-wider travel-to-work distance around London, and to a lesser extent around other commercial centres such as Bristol, Leeds, Manchester and Birmingham.

This rootless approach to the question of where to buy applies right up the scale of properties, and a substantial country estate is just the thing for a high City earner with an eye on the rising tide of job-shedding now lapping gently through the conglomerates' dealing rooms.

After searing up to invest £250,000-plus in a central London flat, a few not-too-remote acres with a big, preferably period house makes excellent use of the balance of a borrowing capacity that might not

always be available, given the increasingly fickle nature of individual fortunes in the City these days.

Value for money does, then, equate to tax efficient running costs and prospective resale values far more than any subjective thoughts about the line of the chimneys, or the quality of the building detail of any particular house.

Dismissing locational preferences, then, except insofar as they affect resale values, Bennett's case for an eastern view is backed by solid evidence.

On the critical factor of travelling time, London's eastern approaches win hands down. There is not much in it by road. Cambridge to the east and Oxford to the west are 54 and 56 miles from the City respectively; Bristol is 116 miles and Norwich 112.

But once you're off the motorways and join the 126,000 other cars, vans and lorries that try to crowd into central London each day, drivers coming in from the West have to sit in traffic jams telephoning each other while East Enders are filling up the car parking spaces at work.

The 60 minute rail link from Cambridge to London is the same as that from Oxford. But carriages from Cambridge end up in Liverpool Street Station, while those from Oxford leave you to race past Brunel's statue at Paddington Station to endure half an hour's torture by tube before reaching anywhere a prospective estate buyer is likely to work.

It is true that tube travel inspires a suitably murderous attitude to the rest of the world to ensure that each working day starts on a competitively aggressive note. But as far as the travel to work case goes, east beats west on the rails as well.

Which leaves the element of property prices. Bennett's figures confirm that, despite the really exceptional rise in coun-

try house prices east of London over the past 18 months or so (on the evidence of the Halifax House Price Index, on an annualised basis average residential prices in East Anglia are currently rising at a heady 27 per cent) you still get more bricks and acres for your pound on that side of town.

Taking as an example an estate with a big, five-bedroom farmhouse, farm buildings and 350 acres of mixed arable land with some woodland and shooting, Bennett estimates that land values east and west would be roughly similar at around £1,500 an acre.

The big difference would be in the house costs. Go west, and he estimates that a property of that size on such an estate would cost around £375,000, while the price in the east would be nearer £230,000. Add land and building values together and the estates would work out to £900,000 west and £755,000 east.

One self-evident flaw in this otherwise seamless argument is that country property buyers do not necessarily travel to a country home direct from work. Owners of a property of the size Bennett uses as an example are likely to have a base in London and, until recently, that semi-automatically meant a flat or town house in west central London.

But as the east end of central London ceases to be beyond the pale for wealthier buyers, and as the M25 has created a realistic orbital route, the established western axis, a residential wealth corridor that turned its back on eastern counties above and below the Thames, is beginning to widen out into a more even, radial spread of buying activity.

And that is having just as much impact on values in Kent as in Suffolk and Norfolk.



IF YOU don't mind the occasional golf ball slicing across the lawn, then Warren House at Aldeburgh is a good example of the comparative price advantage of Suffolk property over equivalent homes west of the capital.

Built in 1932, the four-bedroom Warren House sits right by the 12th hole of the Aldeburgh golf course in 1.75 acres of garden. There is a one-bedroom cottage in the garden and Strutt & Parker's Ipswich office (0473-

214841) is asking £250,000 for the freehold. Warren House is a mile from the centre of the festival town and around a 25-mile drive from Ipswich with its 60-minute rail service to London's Liverpool Street Station.



JUST 25 minutes along the line from Liverpool Street Station to Audley End and you would have a four-mile run to Thaxted Road, Wimbish, in Essex. There, in the hair-raising form of Gosia's Grange, you would find as extensive an example of the thatcher's craft as you could see anywhere in the county. Below the thatch is an exceptional conversion of a medieval barn.

Agrophobic buyers might balk at the 45 ft by 35 ft great hall, since it is not so much the ground space as the cubic space that is impressive. The room rises on its original oak timbers to the inner casing of the roof. At 35 ft by 25 ft the drawing room is no misnomer, either, and there's plenty of room to swing a cat in the 25.5 ft by 14.5 ft kitchen.

A five-bedroom, three-bath-room home (with a timber stable block that has outline planning permission for conversion into a three-bedroom annex), Gosia's Grange stands in an acre of ground, with the option of buying additional paddock space. Hampton & Sons, Swindon & Jennings (0793-22628) has the freehold on offer at around £300,000.

Remaking a market

THE PROTRACTED planning battle over the commercial redevelopment of Spitalfields market, bordering Liverpool Street Station on the north-eastern border of the City of London, has tended to overshadow the effect the reconstruction of the market area will have on the local housing market.

Keith Carling Group is sole residential agent for the Spitalfields Development Group (the consortium made up of London & Edinburgh Trust, Costin's County (Dunlop & Relfone Beatty) that will be redevelop-

ing the market site. ECG partner Gary Latner confirms that about half of the 200 flats and handful of houses to be built within the scheme will be for private sale. Most of the properties will be one and two-bedroom flats with a few three-bedroom top floor apartments, and just a handful of small town houses. The two main areas of residential accommodation in the scheme are to be in the refurbished Horner Buildings on the south-east of the site facing Drushfield Street with views across Commercial Street to the open space

by Christ Church. Much of the rest will be in a new building, Flower Court, to be built south of Folgate Street facing the central courtyard planned for the old market area.

Housing Association and local authority rented flats make up the rest of the residential space, and although Latner expects that it will be a good four years before any of the flats become available, the development proposals are already having an effect on housing in the area.

J.B.



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London Property

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Inverness
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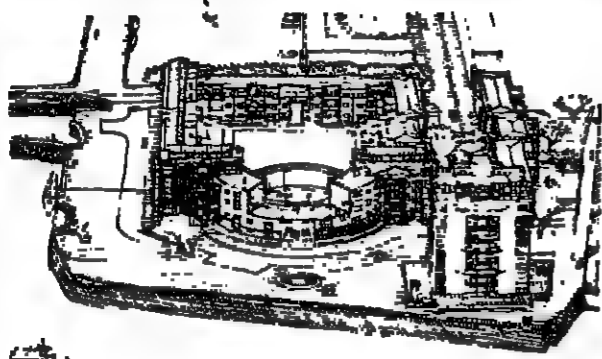
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CANONBURY SQUARE W1. Grade II listed 5 floor Georgian house in popular location. 4 beds, 2 baths, superb 2 1/2 story double fronted entrance hall with original Georgian features, overlooking square. 2nd, 3rd, 4th, 5th floors. 2nd floor has 2 bedrooms, 2nd bath, 2nd kitchen, 2nd living room, 2nd study, 2nd terrace. 3rd floor has 2 bedrooms, 3rd bath, 3rd kitchen, 3rd living room, 3rd study, 3rd terrace. 4th floor has 2 bedrooms, 4th bath, 4th kitchen, 4th living room, 4th study, 4th terrace. 5th floor has 2 bedrooms, 5th bath, 5th kitchen, 5th living room, 5th study, 5th terrace. Price: £1,200,000. £1,250,000. £1,300,000. £1,350,000. £1,400,000. £1,450,000. £1,500,000. £1,550,000. £1,600,000. £1,650,000. £1,700,000. £1,750,000. £1,800,000. £1,850,000. £1,900,000. £1,950,000. £2,000,000. £2,050,000. £2,100,000. £2,150,000. £2,200,000. £2,250,000. £2,300,000. £2,350,000. £2,400,000. £2,450,000. £2,500,000. £2,550,000. £2,600,000. £2,650,000. £2,700,000. £2,750,000. £2,800,000. £2,850,000. £2,900,000. £2,950,000. £3,000,000. £3,050,000. £3,100,000. £3,150,000. £3,200,000. £3,250,000. £3,300,000. £3,350,000. £3,400,000. £3,450,000. £3,500,000. £3,550,000. £3,600,000. £3,650,000. £3,700,000. £3,750,000. £3,800,000. £3,850,000. £3,900,000. £3,950,000. £4,000,000. £4,050,000. £4,100,000. £4,150,000. £4,200,000. £4,250,000. £4,300,000. £4,350,000. £4,400,000. £4,450,000. £4,500,000. £4,550,000. £4,600,000. £4,650,000. £4,700,000. £4,750,000. £4,800,000. £4,850,000. £4,900,000. £4,950,000. £5,000,000. £5,050,000. £5,100,000. £5,150,000. £5,200,000. £5,250,000. 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INDEPENDENT SCHOOLS

How will the Baker plan for schools affect the growth of private education?

Michael Dixon introduces a survey of a crucial year for parents and pupils

THIS YEAR could well prove crucial in the history of Britain's 2,500-plus independent schools. When it began, the outlook for the private sector of education had never been finer. But as the early months rolled on a cloud appeared from an unexpected quarter, which looks bound to harden the climate for fee-charging schools before very long.

The start of the year was unprecedentedly bright. In January a survey covering about 1,300 independent, catering for four in every five of the children in the private sector as a whole, showed that they had just achieved their biggest recorded increase in pupil numbers. Their rolls were up 2.2 per cent since the beginning of 1986 to a total of 430,254. Since over the same period the country's total school-aged population continued to fall, the increase also gave the fee-charging institutions their biggest recorded "market share" of all British children available for schooling. The Independent Schools Information Service (ISIS) which made the survey estimated that, if the findings were true throughout the private sector, its "market share" was now 7 per cent as against 5.8 during the last Labour Government's final year in 1978-79. Although a general election was looming when the survey results were announced, there was little likelihood of victory for the independents' traditional adversaries in the Labour Party. So everything seemed set

fair for the fee-charging sector to go on from strength to strength. What changed the outlook was an announcement made by Kenneth Baker, Secretary for Education and Science, which foreshadowed the Conservatives' election campaign. He pledged the new Tory Government to make numerous changes to the state education service, at least two of which imply a toughening of competition to schools which must pay their way by charging fees.

The first is to stop the local education authorities which directly run state schools from unnecessarily limiting the intakes of those which are over-subscribed by applications. In future, schools which are popular with families will be free to increase their pupil numbers to the maximum they can physically accommodate. The second change will enable successful schools, whose governors and pupils' parents wish, to opt out of local authority control and be financed instead by a grant direct from central government. The likely effect of the changes in the new Education Bill, expected to start its passage next month, seems ironical from the private sector's viewpoint. For schools funded directly by central government are not new things. A strong sub-sector of them existed up to the mid-1970s and, as their academic and other achievements were generally well regarded, they provided

powerful competition for schools dependent entirely on fee-income. But their state-subsidised competition ceased when the Wilson government decided to withdraw the direct grant, and the bulk of them went completely self-financing. So, as a consequence of Baker's opt-out proposals, the private sector may well find that supposedly friendly Tory politicians have restored a source of taxpayer-funded competition which their supposedly hostile Labour counterparts removed. To give an idea of how the sector is placed to cope with the potentially tougher market, I have used ISIS's figures to construct a "fictitious" typical fee-charging institution. To make it representative of the 1,300 which took part in the ISIS survey, however, I have had to make it uncharacteristically large.

Taking boarders and day-pupils of all ages together, in the 1986-87 academic year just ended our school had precisely 1,000 pupils—2.2 per cent more than the 978 enrolled the year before. They were divided as follows:

BOARDS	1986-87	1985-86
Senior boys	109	109
Senior girls	61	60
Prep. boys	55	56
Prep. girls	39	39
DAY-PUPILS	1986-87	1985-86
Senior boys	106	104
Senior girls	140	137
Prep. boys	238	229
Prep. girls	202	194
Total	1,000	978

In the boarding houses, therefore, we have lost one boy in the under-13 age group whose departure has been compensated by the arrival of an extra senior girl. That leaves the number of boarders the same at 254. Even so, as the school's total numbers have increased by 22, boarders now constitute a slightly lower proportion of the full roll—25.4 per cent compared with almost 26 per cent in 1985-86.

Our day-pupils have increased. In the 13-plus age-groups we have a fairly modest gain of two boys and three girls. The preparatory section has done better with nine extra boys and eight more girls. The gains are in net terms, over and above the 111 new incoming pupils needed to replace the 111 boys and girls who left in summer 1986 having reached the age of 16. Of the boy leavers, 28 went on to degree courses; 22 in universities and six in polytechnics.



A wind of change in the independent schools

The corresponding figures for the 49 girl leavers were 15 to universities and three to polytechnics and social studies accounted for 16 boys and 12 girls, eight and six respectively went to read sciences, and five boys but only one girl took engineering and technology. Among the other leavers, seven boys and three girls went straight into jobs. A further eight boys and nine girls followed a minor trend which has arisen over the past few years and moved after taking the 16-plus examinations to continue their schooling in one of the state system's sixth-form colleges.

The 1,000 pupils we had in 1986-87 were mostly British, although the parents of 29 of them lived abroad and those of another 37 were in the armed forces and so liable to be posted overseas. Only 31 pupils were of other nationalities, one fewer than in 1985-86.

Since we need to respond to market pressures, we charge more for older boys than for senior girls. For those in the boarding houses, the 1986-87 fees were respectively £5,250 and £4,500 a year, compared with £4,725 and £3,975 the previous year. The corresponding figures in the day section were £2,850 for boys as against £2,565 in 1985-86, and £2,550 for girls as compared with £2,280.

plus for the year before when costs were in line with the average figures for fee-charging schools of different types, which are published annually by the London-based chartered accountants Macintyre Hudson.

Our biggest single outlay—about 55 per cent—is on teaching staff. In all, we have 82 qualified teachers of whom 62 are graduates, giving us a ratio of one teacher to every 12.2 pupils compared with an average of about one to 17½ in state schools.

Total 1985-86 costs worked out at £2,658.30 for each senior boarder, £1,725.10 for each older day-pupil, £2,333.50 per head in the prep, boarding school and £1,440.60 apiece for under-13 day-attendance. As a result, we were left with a total surplus of just over £806,809, or 23 per cent on the 1985-86 fee-earnings of £2,537,675.

Fees do not account for all our income. We also have an undischarged amount from endowments although, since we are a typical school, it is small.

Moreover, our stated fee-earnings figure exaggerates the reality because it is reduced by the undisclosed sum the school itself foregoes by reducing fees for boys and girls whose families are in difficult circumstances. The school provided such help for 102 pupils in 1986-87. A further 60 had their fees subsidised by central government's assisted places scheme, 20 were funded by local education authorities, and another 12 received help from elsewhere.

Our outlays on new buildings in the latest year totalled £183,000, up from £150,612 in 1985-86, and our investment in improvements to premises and equipment was about £7,000 higher at £106,000.

In present terms, therefore, we are in a fairly healthy financial position. But our investment in additional expensive equipment will probably have to rise in future if we are to meet the state-subsidised competition of Baker's changes which include the creation of 30 City Technology Colleges as well as an as yet unknown number of opt-out schools.

Accordingly, although we have improved our management a good deal over the past few years, we shall need to tighten our financial control and sharpen our marketing skill further if we are to survive, let alone thrive, in the years to come.

Choosing a school

The way to the stars?

WHY DO parents opt for an independent school? This is a question likely to draw some cynical replies in certain quarters. To turn Little John and Little Mary into fat cats. To get a head start in the race for life's glittering prizes. These motives are apparent, but the independent schools agencies would say it all boils down to giving your child the best possible education if you can afford it.

The agencies' case for choosing an independent school contains some pretty impressive figures. The Independent Schools Information Service (ISIS) has just produced an invaluable guide for questioning parents. Under the heading, "What advantages do independent schools have?" it gives the following information:

"Whether we approve it or not a child's success in life will be greatly helped by academic qualifications. Three out of four children at independent senior schools leave with five or more O levels. More than 50 per cent leave with two or more A levels and almost 65 per cent with one or more."

"Although independent schools educate only one child in about 15, more than a quarter of the students at universities have been educated at independent schools."

So it is not surprising that there are smiling faces in the headquarters of the UK's educational agencies. The independent schools area is booming. A small cloud is the slight decline in boarding and a preference for day schools, but this trend will be reversed.

There are many explanations. The first, is economic. There are so many excellent independent day schools and parents feel they can budget more realistically by paying day fees and subsidising the child at home out of school time.

ISIS's guide tries to put the boarding case. "Boarding education... could well be the best choice you ever made. It means you can choose schools further afield and save yourself the trouble of travelling to and from school every morning."

"Many schools offer weekly boarding arrangements for children to go home each weekend. This suits those families where both parents have jobs. Most parents choose boarding schools within 50 miles or not more than an hour-and-a-half's journey from their home. If they are likely to be moved abroad or to another part of the country

they choose schools which are near relatives or close friends." Boarding school head teachers argue that parents do not necessarily save money by opting for day education. They talk of the wide choice of extra-curricular activities that can only be done at the best level in a boarding school. With a child obsessed in his evenings by the drama group or the computer society, boarding may in the end turn out cheaper than staking them to a ticket for an expensive pop concert—or even hamburgers with all the trimmings. And boarding schools tend to do better at sports and games than day schools because of the extra time available for practice.

Girls cope very well in a boy-dominated society, but boys don't do well in a girls' society

Another decision of increasing importance to parents is whether to go single-sex or co-ed. At one time co-ed schools were regarded as rather odd establishments where you sent difficult kids as a last resort. Not any more. If you look at the schools directory at the end of the ISIS guide you will find many famous schools, once bastions of male supremacy, now take girls.

Just at a quick glance you see that Marlborough, a trail blazer in the co-ed scene, now has 100 girls and Sevenoaks's 900 pupils include 300 girls. But Marlborough still lists itself as a boys' school while Sevenoaks is on the coast at Gabbitts-Thring, one of the leading educational advice agencies in the UK, spoke enthusiastically of the growing trend towards mixed schools. But while they noted that boys' schools admit girls, girls' schools are pretty slow off the mark to admit boys.

In the opinion of a woman member of the staff, "I think it's because while girls cope very well in a boy-dominated society, boys don't do so well in a girl-dominated society."

Choosing a school is a most important decision, but there are many agencies giving advice and assistance. I give a list of the most important on the next page, the ones that will either tell you all you want or point you in the right direction for further information.

Alan Forrest

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Parents' ages _____ Child/Children's ages _____
Current proposed fees. Day £ _____ p.a. Boarding £ _____ p.a.
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WEEKEND FT REPORT



A session on the screen at Sevenoaks School

High technology

Please sir, give me a floppy disc

A TECHNOLOGICAL revolution is taking place in many of the UK's independent schools. For some, it has come slowly. There have been reactionaries among both parents and teachers. The idea of boys and girls building computers in their spare time instead of carrying a spear in a house production of Julius Caesar may be the end of civilisation as we know it. Are we building a race of elitist technocrats who will respond only to a finger on the keyboard? That's how the argument goes.

Richard Barker is head of Sevenoaks, the 15th century founded public school in a leafy part of Kent (its founder was Lord Mayor of London when Dick Whittington was a councillor). Sevenoaks has been occupied with technology since the 1960s and it is the school to visit if you want to look at the future and see how it works.

Barker, talking in the room that bears a memorial to Lord Harding, an old boy who quel-

led the Sikhs in India a century and a half ago, says: "I don't think there is any danger of creating a lot of soulless technocrats. We have 100 pupils studying for the International Baccalaureate which demands both the humanities and the sciences."

Sevenoaks insists that it is taking its pupils into the world of high-tech in a realistic way—giving pupils a chance to learn the skills they will need in the world of business, but, at the same time, linking school with outside industry and the area's social needs.

Peter Ford, the school's software master, visits a form room where boys and girls (Sevenoaks now has 300 girls) are huddled over VDU screens. They may be doing something useful or just something enjoyable. It seems that screen buffs at school are in three categories. First, the pupils who regard them as a kind of sophisticated playing. They invent computer games and draw pretty pic-

Technocrats and scholars: Here is one school that seems to get the best of both worlds.

tures. The next lot are probably the shrewdest. They have their sights set on careers in management and know they must have the high-tech skills to survive. The third lot are the really dedicated buffs who don't just want to play with computers, but build them.

Sevenoaks was early on the technology scene. Its activities in this field were started in 1963 by a master called Gerd Summerhoff, who Barker regards as an "exceptional visionary." He saw the needs for schools to be more involved in community interests, business, social and commercial.

Sevenoaks has found that this attitude to new technology works. Recently, one of its school groups wanted to do a particular outside project, but did not have a computer that was sophisticated enough. The cost, £700, was out of the ques-

tion. But a local company gave them the computer.

The culmination of Summerhoff's pioneering will be seen some time next year when an £80,000 science, crafts and technology complex will be opened at the school, welding things together. It means that physics, chemistry, crafts, design and computer skills will all be in one building.

How does a school apply all these facilities to real social needs? Some schools feel inhibited by the cost of equipment. But a new kind of business sponsorship has emerged—local companies which will help with equipment and advice.

One of Summerhoff's legacies is a scheme called VISTA (Voluntary and Independent Scientific and Technical Activity). This is an extra-curricular activity run by an amiable Irishman called Paddy Rolleston and brings in people working seriously on realistic projects. If their projects don't work, they go.

It seems to have succeeded, though—such as two girls who scored highly in the Young Engineers of the Year competition. Rolleston introduced me to a Lower Sixth boy who is work-

ing on a Nuffield Foundation project to produce a computerised device to help ear, nose and throat sufferers. "How can you produce a computer that can smell for you?" he asked.

He spends 30 hours a week out of school on the work which is a lot better, many would think, than carrying a spear in Julius Caesar.

In other areas of the school, much work goes on. Recently someone produced an anti-theft device for lobster pots. I was told of the unsophisticated desires of a Lower Sixth girl who just wants to create a lightning electric plug to improve the positioning of the furniture in her boarding house.

Of all the buffs, the rugby club is probably the most shrewd. The boys have somehow managed to get their own computer and do work for other parts of the school for a fee. This may well be valuable as the rugby players are to tour Australia next year.

At the time of writing the only Sevenoaks VIP without a screen and a keyboard was headmaster Barker. It is coming shortly, and, anyway, his secretary has one.

Alan Forrest

Sports and games

Nothing stops play

IS THE team spirit dying? A look at the games and sports area in Britain's independent schools prompts the question because more and more boys and girls are turning away from team games to the more individual sports—for example, a boy who wouldn't miss a league soccer match to play for the third XV will gladly turn up for a session with his fencing instructor.

Schools generally, and especially in the state sector, are experiencing a rethink about competitive sports. It may sound an oddball argument to old rugger and cricket buffs that competition is an insult to the human intellect. Are rambles in the country with nobody winning better than chasing a ball about for the sake of a ribboned coat.

They may be reasonably pleased, however, by the attitudes of many independent schools' games teachers. Les Barlow, former Middlesex prop forward now on the PE staff at St Paul's at Barnes, West London, says: "We, and most schools like us, are still encouraging competitive sports, and naturally, team sports as well." The philosophy is that competition is something a child has to cope with in real life after school and it usually means competition as a member of a team.

But what is changing, he thinks, is the attitude that being a school sportsman is something holy. A boy with two left feet and hands couldn't catch a ball if he was wired up for it is no longer bullied into turning out for the fourth XV on a Saturday and made to feel a cad if he prefers a more constructive way of spending an afternoon.

Barlow says: "With a school like ours where day boys are the majority it's always easy to get players for Saturday afternoon matches." You can always raise a first XV—the desire for that kind of top glory is undiminished—but a boy who isn't good enough and is relegated to one of the other 12 Rugby teams at St Paul's may feel it isn't worthwhile.

After all, says Barlow, "they have better things to do with Saturday afternoons like paid jobs for example." These range from helping out with shelf loading in supermarkets to distributing free newspapers. But in a well-equipped school with dedicated sports teachers, the games ethic still survives. Barlow at St Paul's is fortunate.

We never seem to have difficulties in getting the right equipment and the right people to train boys." He has Dave Rolleston, former Bristol and England rugby player, whose main job is teaching mathematics, to help him with the Rugby teams, and a former member of the England fencing team to point young swordsmen in the right direction.

Rugby is a strong point at St Paul's. Even that important but remote figure, the High Master, stops Barlow in the corridor and inquires after the welfare of the first XV. In Saturday afternoon games drew crowds of several hundred, more than many a reasonable club side. Star rugby school at present is Wellington, and St Paul's doesn't seem to be able to do much about that, but, of course, Barlow points out, Wellington is mainly a boarding school and gets more practice. As we talked we were standing by a swimming pool which may be modest as independent



schools go but looked Olympic to me. The swimming lesson was noisy, but controlled. Of course, there is a lot of time spent on competitive swimming in these schools. But there is also an emphasis on swimming as what the Victorians called an accomplishment and one that somebody else's life. Just around the corner was a fencing area, one of the school's major attractions and not far away a boathouse complete with highly sophisticated practice equipment.

Barlow looks at this embarrassment of sporting riches ironically. He came south from Middlesbrough, the kind of place where it was hard to see a recreation ground through the industrial smoke. In his 14th year at St Paul's, he joined the school from the state sector (Watford Grammar School), and says: "It's not worse or better in an independent school, just different."

But he still wonders whether independent school pupils really appreciate what they have got. "They seem to take all these great facilities for granted, and you can understand this when your parents are paying a few thousand a year for the privilege of sending you here. With money to spare, sport isn't the only way out of ordinary school routine." And sport is not compulsory... only "positively encouraged."

But he has no doubt that sport will continue to flourish in the independent school. Millfields and Repton, with their sports scholarships, have set a pattern for the future. Tennis and golf are in the ascendancy. And the old team games, in spite of Saturday afternoon jobs, show

no real signs of decline. School sport watchers tell me that the schools with particular skills, apart from Wellington for rugby, include Repton for tennis; Kelly College, Devon, for swimming; and Tonbridge, Colin Cowdrey's old school, for cricket.

In that excellent book, *The World of the Public School*, Gordon Ross of *The Cricketer* magazine, wrote wittily about school sport. He said: "One boy, sincere in his beliefs, confessed that he could see no end product in playing games, so he was allowed to do forestry in games periods and seemed happy in the knowledge that when he plants a tree he will see the tangible result of his labours."

"Sport most of all should conjure up visions of happiness." The pleasure of hitting a cricket ball over the school pavilion for a six, or a spirited dash down the touchline for a try, or thumping a golf ball an enormous distance down the fairway as straight as a die, is an elation that sportsmen the world over appreciate to the full.

This elation will continue. But we can't escape the changes. The Sounder of Greyfriars, a good soccer player, who often cut games to put on a bet at the Three Fishers pub in Friarale, hotly pursued by Mr. Quetch, no longer is a cad. Now he cuts games unpursued to deliver free newspapers or ferry old ladies to the Darby and Joan Club.

And he may still be the merchant banker of the next decade.

Alan Forrest

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Independent Schools Information Service (ISIS), 24, Buckingham Gate, London SW1E 6AG.
The two best-known agencies for independent schools are: Gabbilis-Thring Educational Trust, 68, Sackville Street, Piccadilly, London W1X 2BR (01-734 0161).

Truman and Knightley Educational Trust, 76/78, Notting Hill Gate, London W11 3LJ (01-727 1242).

Girls' Public Day School Trust (24 girls' schools with high academic standards) 26, Queen

Anne's Gate, London SW1 1H 9AN (01-222 9585).

Independent Schools Joint Council (a guide to accredited schools), 25, Victoria Street, London SW1 1E 9AN (01-222 9585).

Religious Needs: Church of England: The Woodward Corporation, 1, The Sanctuary, London SW1P 3JT (01-222 9581).

Roman Catholic: Catholic Education Council for England and Wales, (01-584 7491).

Methodist: Methodist Church Division of Education and Youth, 25, Marylebone Road, London NW1 3JP (01-935 3723).

Jewish: Clifton College, Bristol, has a Jewish house. For information on other Jewish schools, contact the Jewish Board of Deputies, Webbs House, Upper Webbs Place, London WC1 (01-387 8881).

Chief Schools: P. Hannigan, Secretary of the Choir Schools Association, Ambrosden Avenue, London NW1P 1DN (01-834 8847).

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WEEKEND FT REPORT

A scholar's tale

The man from Roedean

"AH, YOU'RE the boy from Roedean," said one of the Inquisitors. I was stunned. Then I was relieved. I knew that I was assured of a place at the University of Lancaster. The sunny uplands of higher education beckoned me.

I had always been a truthful boy, more or less. I had written down my educational record on my UCCA form in all good faith: 1955-1956—Maidwell Hall; 1956-1957—Eton College; 1957-1958—Roedean School. It was no more than the truth but even now I suppose that to go to both Eton and Roedean is unusual.

Unlike a good many of my contemporaries, I enjoyed virtually every part of my school days. I suspect that this was largely because I was quite happy to conform in most obvious ways, because in the end it gave me greater freedom to pursue my own interests.

Consequently I passed through Eton leaving fewer

marks than almost any boy before or since.

When I arrived it was presided over by Dr Birley, who had the largest feet I have ever seen on a human being. Dr Birley bestowed Eton like a colossus. It wasn't just his feet that were large. His whole presence was commanding. With his white hair and his black robes he looked like a Puritan clergyman at the time of Cromwell's Commonwealth. He had a similar ferocity in dealing with what he saw as unchristian behaviour, that of apartheid in South Africa, provoking his greatest anger. Under Birley, it seems to me, the school flourished. He gave it a kind of coherence, not an easy matter in a school of about 1100 boys divided among 25 or so houses.

His successor, Anthony Chenevix-Trench was a rather different figure. He had none of Birley's commanding physique, intellect or moral fervour.

Worse, from the point of view of that most worldly of schools, he was not a worldly man. He and Eton suffered as a consequence. Eton was a strange and primitive place then, infinitely remote from today's civilised ideal. There was no central heating. My fingers still ache at the memory of trying to force a stud through the appropriate hole in my collar on bitter mornings, in order to be at Eton School at 7.30 am. The smell of a thin whisp of smoke curling up from the meagre heap of coals that provided the sole source of heat in my room is for me what the madeline was for Swann.

The washing facilities would not have been tolerated in one of Her Majesty's top security jails. The food was absolutely inedible. I have never since been able to look at a slice of boiled ham or parsley sauce without an involuntary lurch of the stomach. It was, no doubt, responsible for spectacular outbreaks of acne.

But I was perfectly happy with the harsh conditions at the time. My house, D. P. Simpson's, was an oddity within the Eton system. It was totally undisciplined and it was well known that Simpson's house colours, awarded for sporting merit, were the rarest of Eton colours; and while other houses boasted two or three members of "Pop", the peacock-waistcoated sort of senior prefects, we might have been able to manage one in an exceptional year.

Nevertheless, the house had an amiable anarchy about it. As Mr Simpson once said to one of my brothers who succeeded another as captain of the house, "Your brother was the worst head of house I have ever had, until you."

It was essentially a cheerful house. No doubt several voices will be raised in protest. Certainly I was happy within it. Boys called each other by their Christian names, an almost unheard-of phenomenon at the time. And there were a number of congenial spirits, the founder and editor of *Landscape* magazine and a senior copywriter at *Satchel & Satchel* among them.

My problem was, and it remained with me throughout my education, that I didn't often read what my instructors thought should. He has reached the milestone of 60.



A slice of Eton life in the 1950s.

level without ever having got to grips with the rudimentary principles of this subject." (Maths) and: "His attitude in school is slovenly," tended to be the general tenor of my reports. Too rarely was it: "He proved one of the most rewarding pupils in this cave of ignorance and indolence," that one particularly perceptive master, who subsequently died of drink, wrote.

I cannot pretend that I was an ideal pupil, and the results of my ignorance, indolence and wayward character were inevitable. "I am afraid Matthew's performance was too uneven," History: B grade pass, French: no A level pass.

So if I didn't want to be cast out into the world, and I didn't, I would have to cram into four months what I hadn't been able to cram into four years; and this is where Roedean came in. My mother was then headmistress. Acting with decision and dispatch she arranged for me to be privately tutored by generous members of staff during the afternoons, while I earned my keep as an auxiliary groundsman during the morning.

I had found my first sight of Roedean as demoralising as I am sure many of its more regular pupils have done. It stands on an eminence above the cliffs just outside Brighton, looking for all the world like a Victorian castle. It housed some 400 girls and 60 or so staff. I was to be the youngest male on the premises by about 30 years.

Let me deal with the salacious details straight away. First there was my mother's beady eye to contend with. Secondly I was at an age when the older women of the far greater (theoretical) interest than those of my own age or younger. Thirdly, where would you start? Faced with such an embosom of riches, both figurative and literal, there was only one thing for it: celibacy. Anyway, I had to go into hard training for my A levels—French, a second bash; and English for the first time.

My mother had enlisted the help of a formidable array of talent. English duties were split between the redoubtably intelligent Miss Sturges, the formidably clever Dr Diffey and the persuasively able Mrs Bass. French responsibilities were shouldered by the retired Therese Lavanden.

Miss Lavanden reminded me irresistibly of photographs of the septuagenarian Colette. She lived in one of those splendid Regency houses in Brighton with another Roedean teacher, Thyras Creaky Clark. Twice a week I would make my

way to their flat which was cluttered with the momentoes of two civilised lives.

Miss Lavanden was well over 70 and crippled with arthritis, but nothing had diminished the crackling vitality of her mind. That had battled with some of the most intelligent people of her time and with generations of Roedean girls. She was a ferocious snob, and loathed anything to do with America, which she put somewhere lower than Dante's seventh level in Hell. She had known a good many of the intellectual and artistic elite of her time, being a personal friend of Clifford Curzon and Andre Segovia.

This may appear to be by the by, but it wasn't. Her opinions and her past informed the greater part of my lessons. I have no

While I soaked up learning, Roedean raged around me.

recollection of actually being taught anything. I absorbed the necessary command of grammar and literature by some curious osmotic process.

Miss Sturges was cut from an equally individual and stimulating cloth, as English as Miss Lavanden was French. She taught with forceful intelligence and verve. She had to with dillards like me.

The set text we studied together was *Anthony and Cleopatra*. Although of middle height and middle age (I hope she will forgive me) she was the Nile to my finger tip. Her *Cleopatra* was as ringing and convincing as my *Anthony* was feeble and stuttering.

The fact that I can still enjoy the play is due entirely to her ability to get me to apply neither to unsuspected memory and critical faculties. It is a pity that I did not come across more of her like at other stages of my education, but I suspect there aren't enough to go round.

It was Dr Diffey's onerous task to lead me through the thickets of William Faulkner's prose, and Mrs Bass to ensure I had a grasp of the intricacies of Keats' poetry.

Dr Diffey managed what no other teacher of the novel has managed to achieve since—imbuement with some kind of intellectual rigor without destroying my interest in the book in question. And she too, took to her task with good humour and an

iron determination. Mrs Bass's technique was altogether gentler, but, in the end no less effective.

While I soaked up learning, the school raged around me. Well, raged isn't quite the right word, to be fair, but the appointment of my mother, a widow with four sons and a daughter, had rather broken the mould as far as headmistresses were concerned, particularly headmistresses of Roedean. She set about changing the school from being seen as a bastion of 19th century values into being an active participant in the mid 20th Century. How far she succeeded in doing so is not for me to say.

Personally I was impressed by the food, the central heating and the comfort, after the rigors of Eton.

And I passed my A levels with a B grade apiece. Quite the end of my Roedean education. A year or so later I was visiting my mother. *Cleopatra* was again on the syllabus, this time Shaw's *Caesar and Cleopatra*. Miss Sturges ingeniously suggested that perhaps I might like to take a class. It would make such a change from the routine. And why didn't I take the Shakespeare play as the point of comparison—the scene in which there are all those famous speeches, by Enobarbus, for example. Dauntless, I agreed.

The scene begins where Caesar, Anthony and Lepidus exeunt and Maecenas licks the proceedings off with "Welcome to Egypt, Sir." After some more pleasantries Enobarbus really gets things going with the speech beginning "I will tell you: The barge she sat in, like a burnish'd throne, Buried on water etc etc," all very splendid stuff. But for the novice teacher faced with a classroom filled with horribly sophisticated 14-year-olds there is a drawback, and it comes about two-thirds of the way through the scene.

There's a bit where Agrippa adds his barporthworth: "Royal wench! The silly ass cries. "She made great Caesar lay his sword to bed: He ploughed her, and she cropped."

I am sure you can appreciate the drawback in the line by line analysis approach. I had adopted. Certainly the girls did, rather before I latched on to it. I suddenly became aware of 16 or so beady sets of eyes fixed on me, glistening with malice and anticipation. I could see it all: "Please, Mr-Sir, what does he ploughed her signify? I was a rabbit in a room full of stoats. I was served by the hell that marked the end of the lesson."

PRIVATE EDUCATION is growing in popularity and so is its cost. These two factors were highlighted in the 1987 annual census made by ISIS—the Independent Schools Information Service.

The survey showed that the average cost of private education rose by 11 per cent year-on-year to January 1987. But like all averages it does not show the wide disparity between the various sectors of private education and between schools within each sector.

Take the situation in the Headmasters' Conference schools—or the public schools as we know them. The average fee per term for boarders is £1,000 and for day pupils £200. But the spread of fees for boarders ranges from around £200 to £2,200 a term, while for day pupils the range is £200 to £1,500 a term. For parents considering having their children educated privately, the ISIS survey has set out clearly the nature of the costs involved. It should also set parents to give a lot of thought to the ways and means of meeting the bill.

There is also no shortage of professional help. The ISIS survey does not show the growth in the number of financial advisers specialising in school fees planning—advice that will cope with most situations from the child already at school to planning for education of a newly-born or a child growing up.

The starting point in any planning exercise is to set out the expected family income and outgo in the years ahead, allowing for inflation.

This can only be done on an approximate basis. But it will give parents a very clear idea of the surplus income over expenditure in the family. Parents should add into the expenditure the anticipated cost of school fees, again allowing for inflation.

Once this is completed, parents will be able to see whether they are likely to meet the school fee bills out of income, or as is more likely the years when there will be a deficit and some idea of its size.

This may sound a complicated exercise when using pen and calculator. But the school fee specialists should have a computer programme that can produce a variety of income/outgo statements and different assumptions dealing easily with "what-if" questions that always arise.

Parents can first decide whether they can afford private education. If so, then they can get down to the vital stage in the planning exercise how to bridge the gap between income and outgo. There are several alternatives to be considered.

Parents can consider whether they can boost their income and/or cut down on expenditure. A recent survey has shown that a significant proportion of families do just this. Mother takes a job to pay the fees. Father takes a second job. The family take in students or other lodgers. Holidays and entertainment are cut out of the family life.

But it makes the family life far less austere if they can bridge the gap in some other way.

First, they should plan early enough so that they can save towards bridging that gap. Here the school fee specialists come into their own in advising parents.

Considerable thought has been given by these specialists in designing savings plans that

School fees

Dreams and schemes

provide flexibility, high return with a high degree of security. The modern-style plan no longer uses with-profit endowments or even unit-linked life contracts, but goes straight to unit trusts.

The scheme just launched by London and Capital Group—the Flexible School Fees Plan—highlights the way the specialists are developing their services. Unit trusts are highly tax-efficient, and have far lower charges, which the consumer has to pay, than life contracts.

Under this plan, parents make monthly investments into a unit trust savings plan. The amount can be as little as £25 to £30 a month. But if they want to build up a reasonable living fund in the comparatively short periods involved they should be thinking in terms of £200 to £500 a month. Payments can be increased or reduced according to circumstances and the scheme will accept lump sum payments.

ERIC SHORT offers a comprehensive guide to parents on how to foot the school bill.

The plan would usually start by investing in UK general trust with a good growth record. Then as the amount grows investment can spread into overseas funds for higher growth. One fear of unit-linked investment has been that there may be a depressed equity market when school fee bills are coming in.

This sounds more fearsome than it is likely to be in practice. The fees-paying period is spread over several years, so the money is not needed all at once. Investments can be switched at the time approaches to pay the bills.

The specialist will watch the situation all the time and advise accordingly, including switching into cash if necessary. Switching unit trust groups will soon be able to offer cash funds.

Other specialists offer a similar planning service. But if parents do not want to take even the slightest risk, they can still use the old style endowment.

Parents should also consider whether they have any capital assets that can be realised and used to meet school fee bills. The other method of bridging the gap is to borrow, usually using your home as security.

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DIVERSIONS

THIS MONTH marks the centenary of one of the most ambitious publishing projects of the 19th century—a gigantic work which was to have lasting influence on the way we see things.

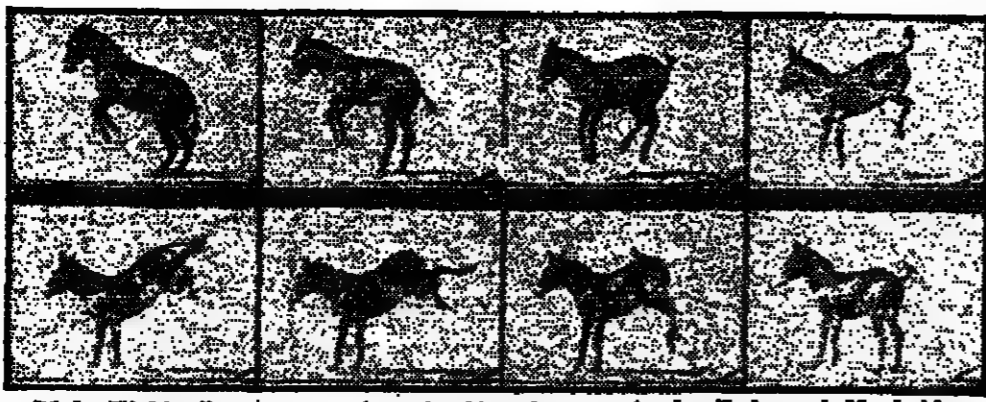
The photographic images of Eadweard Muybridge's *Animal Locomotion* have inspired artists as diverse as Degas, the Cubists and Francis Bacon, and constantly turn up in contemporary advertising and graphics. Muybridge's method of recording movement in photography paved the way for motion pictures.

Muybridge started life as plain Edward James Mugeridge in Kingston upon Thames in 1830. The spelling of his first name was changed out of youthful enthusiasm for the mediaeval; he adopted the exotic surname sometime after emigrating to America in 1852.

By the time he was 30 he was a bookseller and respected citizen of San Francisco. In the early 1860s he was seriously injured when a mail coach in which he was travelling overturned. His life changed dramatically. His cascading hair turned white overnight, and from that moment he developed both marked eccentricity and a touch of the obsession of genius.

While recuperating in England he studied photography, and within a very short time of his return to America established himself as the outstanding landscape photographer on the West Coast. In 1872 he received a commission from Leland Stanford, ex-Governor of California, and president of the Central Pacific Railroad, which was to prove fateful.

Stanford wanted a photograph of his prize trotting horse Occident in movement, to test his theory that at some point in its stride the horse has all its feet off the ground.



"Mule Kicking" . . . a series of 1887 photographs by Eadweard Muybridge

Animal attraction

Financed by Stanford, Muybridge applied himself to the problem—very considerably in those days of long exposures—of photographing rapid motion.

His researches were dramatically interrupted in 1874 when he was arrested and put on trial for the murder of his young wife's paramour, a certain Major Harry Larkyns. The case was prima facie. Muybridge had sought out Larkyns, saying: "Good evening, Major, my name is Muybridge and here is the answer to the letter you sent my wife, and thereupon shot him through the heart.

The defence persuasively pleaded Muybridge's insanity; but it was unnecessary. The jury agreed that the late Larkyns was a bounder, and unanimously acquitted Muybridge. Soon afterwards he returned to Governor Stanford's horses. By 1878 he had made the first successful photographs of animals in motion.

His solution was to set up a battery of 12 cameras along the side of a track. The horse it-

self triggered the shutters as it crossed a corresponding series of threads stretched across the track. (Later a more sophisticated electrical trigger system was devised.) In this way Muybridge could produce series of photographs showing rapidly succeeding phases of movement.

When he came to Europe in 1883, Muybridge was lionised by photographers, scientists, artists and royalty. The greatest sensation was his "Zoo-praxiscopes," an anticipation of the motion picture projector which enabled him to project his images on screen, reconstructing the illusion of movement.

Having fallen out with Stanford after the latter published his photographs without acknowledgment, Muybridge looked elsewhere for support for the massive project which now engaged his ambitions—nothing less than a study of every kind of human and animal locomotion by means of photography.

By 1883 he had found patronage in the shape of the

University of Pennsylvania. Most of the next year was devoted to setting up his outdoor studio and its elaborate equipment. In the autumn of 1884 there began an extraordinary parade of models before Muybridge's cameras.

He photographed men, women and children draped and (preferably) undraped at every conceivable activity. Professional models, university athletes and workmen stood, sat, walked, ran, vaulted, somersaulted and rode horses.

Muybridge complained that "mechanics were generally unwilling to go through the motions of their trade in a nude condition to the waist only; and that artists' models were poor subjects being 'as a rule, ignorant and not well bred'."

He also photographed hospital patients with severe motor deficiencies and posed endlessly himself, generally naked.

Every variety of domestic animal performed for him, and he took his cameras to the zoo

for the lions, tigers, elephants and other big game.

The finished work came out in November 1887 as a series of 781 finely printed collotype plates. They were issued in folios of 100, at \$100 each folio. Thirty-seven complete sets in eight folios were sold, mostly to libraries. If one of these appeared at auction today it would certainly realise well over £50,000.

In 1894 Muybridge returned to England and Kingston upon Thames. He published selections of his photographs in popular editions as *Animals in Motion* and *The Human Figure in Motion*. These continued to be reprinted up to the Second World War and are now sought after.

At his death he bequeathed his negatives and apparatus to his native Kingston. The permanent Muybridge exhibition at the Heritage Centre there includes his Zoopraxiscopes, the discs which were used for projection and a new video which shows Muybridge's photographs in action.

An attractive centenary exhibition at the National Centre of Photography in Bath (until January 9, 1988) includes a selection of plates from *Human and Animal Locomotion* and a model showing how the series photographs were made.

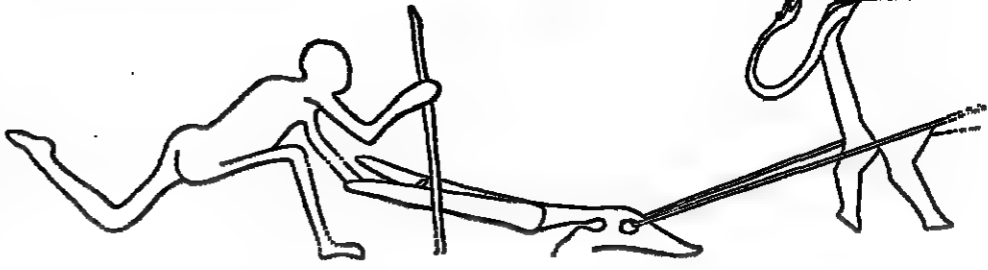
From time to time individual plates from the series turn up in photographic auctions. The average price is now around £100 a plate with the less glamorous animal studies making considerably less and nude ladies rather more.

Two examples appear in one lot at Christie's South Kensington sale of photographs on November 5. These plates, which show an undraped lady drying her feet and a rather stout nude male on a white horse, are estimated at £150-£250 for the pair.

Janet Marsh



The "ploughman" burial, excavated in 1985 at Sutton Hoo



Exhuming the secrets of Sutton Hoo

THE CROWN jewel of English archaeology is the treasure-crammed ship burial of Sutton Hoo in Suffolk, dug in the summer of 1939. Probably the grave of Rædwald, the Anglo-Saxon king of East Angles (d. 624-5), it marks an important stage in the early history of England when the country was forming in the centuries after the Romans left.

There are intriguing links with the Continent. Burying in a ship was a Scandinavian habit. Goods came from Gaul, Sweden and even Syria. But what was the local context of this great tomb? And how does it affect our history? We do not really know. A new dig begun this year aims to answer these questions.

The cemetery would have been a landscape across the Suffolk fens, and a seamount. We can imagine ships being dragged up from the Deben for the burials. (The 1939 ship is 58 ft long.)

Two mounds are being dug by Professor Martin Carver of York to start a six-year continuous (winter included) excavation, remarkable for its scope and for being a research rather than a rescue dig.

The principal sponsors are the Society of Antiquaries and the British Museum, where Rædwald's death-goods are such as a Swedish-made helmet and shield, silver spoons inscribed with Saxon and Paul in Greek, cloth from Syria, a silver dish from Constantinople and golden coins from Gaul.

He was given an heroic and lavish burial. The ostentatious disposal of capital suggests a family with reactionary aspira-

tions, looking more to the old pagan aristocracy across the North Sea than to the world of Christianity.

They even chose to bury at a place already ancient and to raise barrows like the then 2000-year-old Barrow Bronze Age example on the spot. If these East Anglian royals were pagans, we have a corrective to the views the monks propagated in their chronicles of the rise of Christian England.

There is darker evidence for paganism. Among the barrows are shallow graves with human remains known as "sandbodies." They appear as fragile stains in the sand, since bone generally does not survive, to be dug and planned gingerly. Then rubber moulds are taken to make shrunken replicas. One man may be seen to be pushing a plough in death.

But others are not laid out. Or their heads are in unnatural positions as if decapitated or hung; or their hands and feet are tied. These unfortunates are probably sacrificed slaves or prisoners, perhaps slain to satisfy the god Odin and put in the group just outside the noble barrows, or in the graveyard next to the barrow cemetery.

So far, 23 sandbodies have been found, but Professor Carver expects eventually about 200.

Professor Carver is digging the smallest extent of Sutton Hoo that will allow a proper understanding of what happened there in the 6th-9th centuries. It is a sensible approach that leaves plenty of a precious part of the English heritage for future generations.

Before he began, there were three years of minute survey of the site using every way possible to examine it, including soil sounding radar to see what the sand hid. (It is one way the Scott Polar Institute of Cambridge looks beneath the ice of Antarctica.)

Among the difficulties of digging are robbers' pits, and slit trenches from World War II. But the sand is worst. It

is so acid that it leaches away most bone and wood, although applying polyvinyl solutions helps to consolidate what little is left.

In 1939 the ship was resurrected from the impression it had made in the sand. Nowadays, pieces of bone or wood are sent to Birmingham University as samples for a project on decay and stopping decay on archaeological sites, supported by the Leverhulme Trust.

Similarly, the features (pits and ditches and the ploughed out mounds of the barrows) appear as no more than stains in the surrounding soil. If they are trodden on, the sand crumbles and they vanish. Or the wind may blow fresh sand on top. So the diggers outline the feature-stains with plastic garden labels and plan them at once and keep on planning whenever a few centimetres have been taken off, so as not to lose what has been found.

Metal detectors are in regular use, which shows that they have their place in a controlled scientific dig. They will distinguish ferrous and non-ferrous metals. Finds will eventually go to the British Museum.

The Suffolk Archaeological Unit is making a regional survey to discover what happened in the hinterland of Sutton Hoo. Contemporary Saxon settlements have been found nearby at Sutton Hoo House, and at Sutton Village.

What are the results of these early days? A mass of iron rivets in one mound suggests another ship. Sandbodies appear regularly, with their revealing evidence of Anglo-Saxon society and its attitudes. At the end, we shall know far more of the people of Sutton Hoo and their place in early East Angles. And that may mean rewriting the opening chapters of all the history books. New sponsors are welcome.

Gerald Cadogan

Saleroom

Time, gentlemen

PUNCTUALITY is the politeness of kings because, for most of history, only kings could afford reliable timepieces. George I was especially happy in this respect, having John Rowley as his "Master of Mechanics."

Rowley perfected a portable sundial which enabled the king to know the exact time in the cities through which he passed on his frequent trips back to his native Hanover. One of Rowley's sundials, made in silver and gilt-brass around 1715 and in superb condition, is up for sale at Sotheby's on November 16 and a price of £60,000 is anticipated.

This is a very substantial sum to bid at an auction of scientific instruments. It is still a market that retains a fairly intimate camaraderie; and although prices have risen appreciably in the past few years, they are still well below the levels in comparable collecting fields.

Anyone wishing to meet scientific instrument fanatics en masse to discover what inspires their enthusiasm should move along to the Scientific and Medical Instrument Fair at the Gloucester Hotel, London, on October 25 when 51 dealers will be offering thousands of items ranging in price from £20 to £20,000.

The variety is tremendous but most collectors stick to a specialty. Not surprisingly, doctors (often American) buy the 18th and 19th century surgical sets; retired naval men go for sextants; computer whizzes fancy the mechanical adding machines of the 19th century; surgeons purchase theodolites; and so on. Quite often, wives buy for professional husbands. Sometimes, unscrupulous doctors have been known to set a 19th century microscope against their tax bill.

As in many sectors of the fine art market London acts as the great clearing house, with many of the finest instruments finding new homes in dentist waiting rooms or civil engineers' studies abroad, especially in the US, Japan, Germany and, recently, France.

At the moment, scientific instruments are pausing for breath after the price upsurge of recent years. Large telescopes, surveying instruments and early cameras are some of the areas where sellers are asking prices for their instruments (at auction, at least) which the market cannot meet.

Even medical items and navigational tools are not quite so popular as they were, although there will always be the doctor prepared to splash out £150 for

an early 19th century saw with its decorative ebony handle, and the retired sea captain £250 for a 19th century sextant. Surgeons' kits are especially popular: they fetch around £2,000 for an 18th century set and roughly the same for the 19th century version where you lose an age but gain on implements.

Among the popular items now are globes, and dealer David Weston is asking £18,000 at the fair for a pair by the 18th century Dutch maker, Valk. Like the best brass telescopes, globes have a double appeal—as well as their scientific interest they also are decorative.

An increasingly important factor among new collectors and, especially, Americans. A good pair of library globes cost up to £10,000 ago, while pocket globes used by stay-at-homes to plot the journeys of the great explorers, have jumped from £500 to £1,500 in two years.

Also appreciating in price is anything related to the precursors of computers—adding machines and calculators, in particular; only size prevents the early computers appearing at auction.

Higher prices for scientific instruments increase the risk of fakes. Astrolabes of the 16th



A lacquered brass theodolite made in London around 1830, and an Italian half-skull, of the mid-18th century, for anatomical teaching—two of the items on offer at the International Scientific and Medical Instrument Fair in London on October 25.

century are the most likely instruments to be suspect because they are the most expensive—prices in excess of £100,000 have been paid. Jon Ruckley of Sotheby's reckons that he rejects over half the astrolabes offered to him.

Christie's South Kensington and Phillips also hold sales of scientific instruments, sometimes concentrating them in specialist groups. The former is selling cameras and photographic equipment on October 29.

However, the star auction is the Sotheby's event on November 16 which includes items from the collection of the late Rudolf von Gutschmann. There

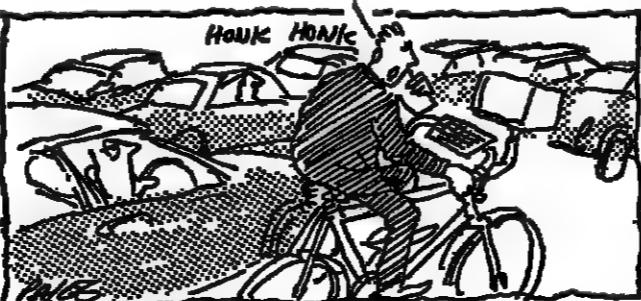
is considerable interest in a gilt-brass and silver combined astronomical compendium and book binding made by Erasmus Habermel in Prague in 1667.

The auction will be on view to the enthusiasts gathered in London for the fair, but few of them will expect to pay more than £1,000 to add to their collections. One of the problems for dealers is that many buyers want just one instrument to decorate their home or office. But an even greater problem is finding sufficient good, rare items, especially of the pre-1800 period.

Antony Thorncroft

Volunteers for the chain gang

Jonathan Sale on the pleasures of commuting by pushbike



DOCTOR RONALD WILLIAMS knows exactly how efficient a bicycle is and insists that when it comes to converting energy into movement, there is nothing to touch it.

He worked out the number of calories he burnt while pedalling over a measured portion of the King's Road in west London. A single sugar lump keeps him—or anyone—moving for almost a mile, and a glass of milk contains over six miles of pedal-power.

"I use my bicycle all the time," says Williams, a natural London GP. "If I didn't, I would be mad. It saves me 35 or 40 minutes every day. A car just isn't worth the trouble, what with the general snail-crawl, no parking problems and I don't put out any pollutants like a car."

His doctor's bag fixed to the carrier on the back, he has during a 15-year period clocked up 41,000 miles, mostly in hope between patients. To put it another way, that represents the energy from 8,000 slices of bread (over five miles of energy in each).

A boiled egg is worth four miles. But a two-ounce bar of milk chocolate or three-quarters of a pint of draught bitter (even though he can't abide the stuff) is best value. Either fuel will keep the wheels turning for 15 miles.

Last weekend was the last in the calendar of the professional pedallers. The Professional Cycling Association held its Gala Road Race and AGM, after which its members take up winter quarters in their local gyms. Also leaving the roads for the winter are the fair-weather cyclists, chilled by the air now whistling over the handlebars.

The professional commuting cyclists like Williams, however, are still in business.

You don't have to be an alternative sort of person—a bearded, sandalled vegetarian

living in an unfashionable part of south London—to ride a bike.

As it happens, I am myself bearded and sandalled, etc, but many cyclists are nothing of the sort. Nor are they racing sportsmen dreaming of a place in the Tour de France team.

They are ordinary respectable commuters. (I even know one who does the Times crossword at the traffic lights.) They are executives, shoe-wearing, unmarked. They shave their chins but not, like the speed fanatics after aerodynamic perfection, their legs. And they all share a belief in the advantages of the chain gang.

There is nothing absurd about taking exercise, saving fares and beating the traffic. No one laughs at Roger Myddelton, group legal adviser at Courtauld (where the chairman, Sir Christopher Hogg, is also of the pushbike persuasion), as he savours the fresh air of Regent's Park on his three-mile solo from Kentish Town to Hanover Square.

You do not have to wear a special gear which has been tested to destruction on the

Tour de France. If it is hot, Roger Myddelton takes off his jacket. If it is coming down like stair-roads, he keeps out the rain with, among other garments, some natty over-boots from John Lewis.

Pedestrians may once have laughed at Gordon Lawson, a vice-president of Salomon Brothers. He admits it. But that was when he wore "go-faster" shorts for extra speed. Now he has a shorter journey and it is long trousers every day. (He still changes them when he arrives at work to avoid the Shiny Seat Syndrome, the cyclist's curse.)

There is no real need for a skin-tight top from La Vie Claire, France's answer to Body Shop. A more sensible craze, reported the manager of Bike UK, of the Strand, is for tyres made of bull-proof Kevlar—not because motorists shoot at them (although I wouldn't put it past some taxi-drivers) but because the material is extra hard-wearing.

There is another extra which is more essential than optional: "I've road-tested my crash helmet," says West End solicitor

Richard Bowden-Dan. "It saved me from a fractured skull. A Sainsbury's lorry pulled in front of me. I braked, using the 'suicide levers', but went over the handlebars. I was in St Thomas's for one night, instead of for a couple of months."

There is one man who has made a great sacrifice in the cause of the velocipede: Tony MP Anthony Steel is the chairman of the All-Party Cycling Group. Over the years, he has asked questions in the House, had cycle-racks fitted in the Palace of Westminster, annoyed doormen at official events by turning up with his bike, and even cycled to a Royal garden party.

Granted, it might have cost him dear: "I'm pretty sure that if I hadn't taken up cycling, I would have had rapid promotion." He points to Sir George Young, the bicycling baronet from Acton, whose membership of the Pedalling Tendency might have cost him ministerial post.

Still, he certainly gets the block vote of the London Cycling Campaign, the pressure-group which nags councils about spoke-breaking potholes, pushes for cycle lanes and generally works for cyclists' rights. A subscription pays for itself many times over through discounts at bicycle shops.

The campaign is like the RAC, although it won't send out a repair man to members becalmed by punctured tyres. What it does offer is the Bike-nate scheme. It once fixed me a date with a woman who showed me the way to go home by a sort of North-West Passage avoiding the main roads.

That was good value. Even more praiseworthy are those employers who provide the wonderful perk of free "cages" offering total security for machines.

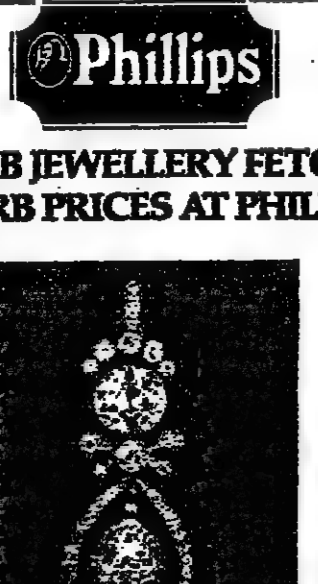


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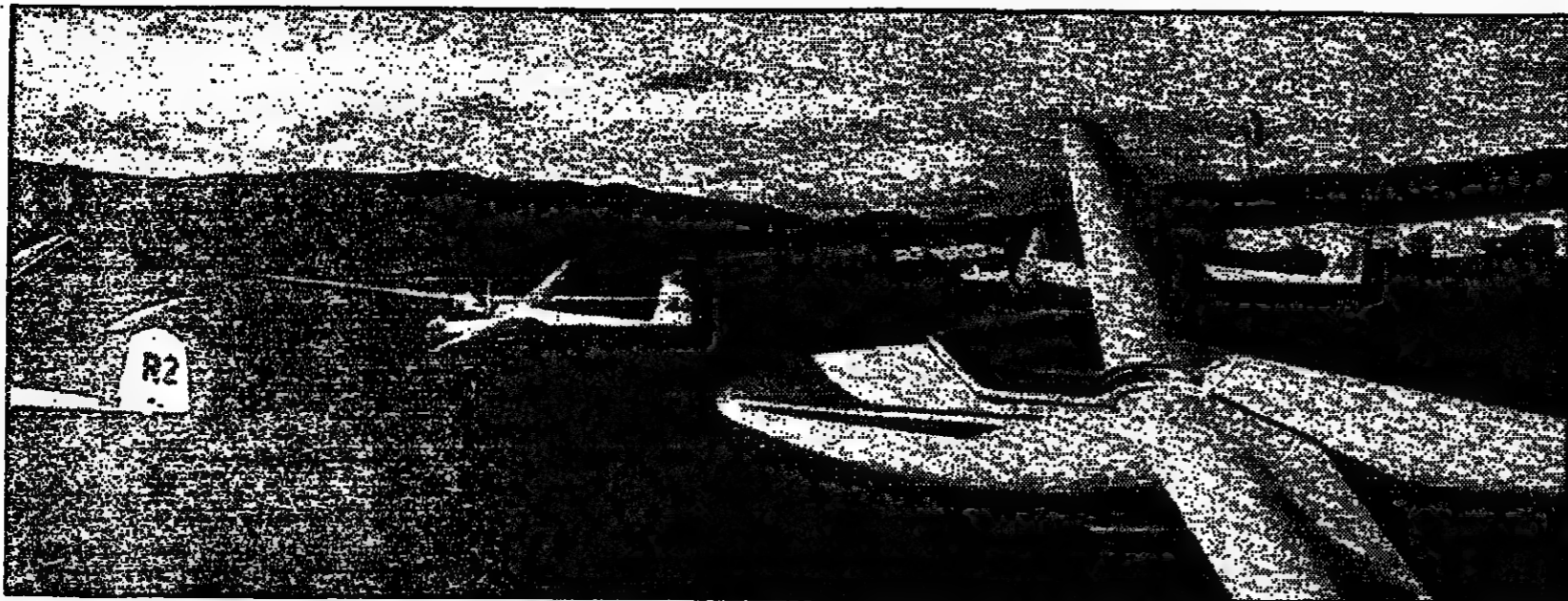
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Glider on the launching grid at dawn at Aboyne, Scotland with wave clouds on the horizon.

Mani Deb glides the crest of a wave—more than 10,000 feet above the Scottish Highlands

On a wing and a prayer

RIGHT ABOVE the Dee Valley in Scotland, gliders sparkle in the sun as they jockey for position. Some pilots have already soared to more than 15,000 ft and a few ever have reached 20,000 ft simply by using rising air currents—for it is October, height of the "wave" season in the Scottish Highlands.

Many people might find it astonishing that gliders, which have no engines, can climb so far. But the world record is much higher—a staggering 49,000 ft achieved by R. A. Harris, an American flying from Bishop in California.

The British record is 36,190 ft, set in the Scottish Highlands where conditions are sometimes just right to set off lee "waves" which enable gliders to achieve sustained climbing rates of more than

1,000 ft a minute. I learned the thrills and pitfalls of wave soaring last autumn while flying from Aboyne, a small airstrip about halfway between Aberdeen and Braemar. An aircraft from the Deeside Gliding Club towed my Pegasus glider through rough air, bucking and bouncing until I reached the wave front at about 9,500 ft. Although I was flying through a 30-knot westerly, suddenly the ride became silky smooth and I released the tow rope.

Having climbed slowly but steadily to 10,000 ft, I had to switch to oxygen. But the 10 seconds it took to adjust the mask and the bottle were enough to lose the lift and hit a severe downdraught. Within minutes I was 3,000 feet lower; it was like falling off a rock face and dangling at the end of a

safety line. I worked out a mental picture of the airflow around me and concentrated on the bleep of the variometer, which rises in pitch the faster you climb. Gentle control movements were essential as I rose rapidly past the dazzling white cloud marking the wave. At 7,000 feet I was above the town of Ballater with the rusty brown Crampian mountains stretching out to the east. Below, Balmoral Castle beside the Dee and the dark blue Loch Muick made good markers.

At times, I could stay put facing into the wind and marvel as the glider was pushed up at 20 ft a second. Feeling my way gingerly along the elusive lift, I managed a modest 15,500 ft. After nearly three hours, though, fatigue was setting in. The temperature was -30 degrees and it was chilly in the cockpit in spite of my thermal underwear, skiving overalls and mousmoots. As I headed back to land on the narrow airstrip, I could hear more experienced pilots calling out heights of 25,000 and 29,000 ft on the radio.

Pilots use three main types of air currents to gain height. The most common is a "thermal", a rising bubble or column of warm air in which the glider usually circles, rather like a buzzard. The second is "hill lift", when a stiff breeze is deflected upwards by high ground and the glider flies to and from near the crest of the hill where the lift is strongest.

The third and most powerful is a "wave", which occurs when a strong and sustained wind

blows over a range of mountains, setting off secondary waves in the same way as water flowing over a rock will continue to hump downstream. The heaviest of stable air pours down the side of the mountain and bounces up to form a crest. Wave flying is in some ways curiously similar to rock-climbing—but the rock face is invisible. The best lift is almost vertical and, having found it, you track back and forth to gain height, using ground features as markers.

The patience and concentration required may be likened to the meditative intensity of a Zen monk, or perhaps a man walking a tightrope over a gorge—the need to survive certainly sharpens the mind. One of the dangers of gliding is being blown too far downwind or losing your bearing because of cloud. On a flight a few days earlier, I found myself cut off by a cloud sheet at 7,000 ft. To avoid descending through cloud and misting up the canopy, I flew north to find a gap. But by the time I could get down to 5,000 ft, using my air brakes, I had been blown well to the west.

I was over rugged terrain with no recognisable landmarks in sight. Only the Dee shimmered in the distance and I headed for it, losing height steadily and looking for a landable field. At 1,400 ft I was gripped by a sudden panic: rapid breathing, a cold sweat and the pulse thumping in my mouth. It lasted only a few seconds, though. Eventually, I landed in a tree-lined pasture where, thank-

fully, the sheep were grazing along one side. A few looked up briefly and continued to munch away. A phone call from the local glillie's cottage and, before long, a retrieval crew arrived with a trailer. It turned out I was five miles downwind from the airstrip.

A wave system is a complex phenomena. Crests reach different levels and the art is to jump from one to the next. Pilots look for waves to achieve "diamond" and "gold" heights for the British Gliding Association's badges. You have to reach 3,000m (9,843 ft) for a gold and 5,000m (16,404 ft) for a diamond.

During the wave season in the spring and autumn, Aboyne and Parton, another Scottish wave site in Fife where the UK record was set, attract prospectors like the Kilmorie. But of the scores who make the journey, only a few, selected arbitrarily by the gods, will go home with a diamond. Flying skill, sea and determination are not enough if your luck with the weather is out.

The higher the mountain, the bigger the wave, and it is reckoned that with a pressurised and heated cockpit it would be possible to reach 60,000 ft from Bishop in California when a strong westerly blows over the Rockies.

I, however, am quite happy to enjoy the thrills of soaring in the Highlands, watching the altimeter wind up as I find the express lift and, even after six years of gliding, wondering: "How the heck am I staying up?"

UNTIL RECENTLY port-drinkers were firmly divided between Upstairs, where they drank vintage port, and Downstairs, where cheap ruby port was drunk (often with lemon). In the past 15 years the market has been flooded with "late bottled vintage", "vintage character", "crusted" and other ports supposedly drunk by directors or, indeed, whole boardrooms. The confusion is such that the port shippers and the Portuguese Government have spent the past two years in an as yet unresolved attempt to define these names.

The inventiveness shown by the shippers has contributed to a 90 per cent rise in port exports between 1976 and 1986 to the equivalent of more than 100m bottles per year. Quality also has increased enough to justify a tripling in prices in the same decade. Over three-quarters of all port is now bottled in Oporto, and Oporto bottling will be compulsory in five years.

Broader interest has also boosted appreciation of fine vintage ports, the infinitely more available alternative to vintage ports preferred by the shippers. The reason is simple. Port is made by adding raw Portuguese brandy to the fermenting wine, thus stopping its fermentation and preserving it. But any spirits or fortified wine containing raw spirits requires prolonged contact with wood to allow the wood—and the oxygen seeping through its interstices—to soften and civilise it.

Vintage port is the finest wine of a given vintage, bottled after just 18 months in cask. It is left bottled up to 25 years before it is declared "crusted". But while the wine matures in bottle, the spirit doesn't; moreover, the container is too small for the wine and the spirit to blend properly. By contrast the brandy in tawny port, which spends its whole life in wood, not only matures but has the time and space to blend with the wine.

At its frequent worst, especially if the wine is drunk immediately the bottle is opened, vintage port is so dominated by the spirit as to be a hangover inducer. Only at its infrequent best, and then only if the bottle is opened up to 24 hours before you drink it to let the spirit evaporate will you be left with an incomparably rich red wine, but even then it will be extremely sweet.

So do not chase vintage ports—their prices have soared since the Americans moved into what is a very narrow market, and wines like 1969 Taylor (port's

Wine

Too many ports of call



premier cru) are now part of the same snob market as first-growth clarets.

Below vintage comes a wide range of LBVs and vintage character ports. They should be wines kept in wood for between four and six years. Most houses sell them immediately they are bottled while more expensive, like Warre, offer an LBV in "vintage style"—unfiltered and matured in bottle for a couple of years like a junior vintage port. All are richer, less nutty, less smooth than tawnies and less hangover-inducing than vintage (largely because of the extra time in wood).

Older tawnies, though inevitably more expensive, are not necessarily better. It takes an exceptional old tawny to beat the depth and smooth autumnal fruit-and-outness of Harveys' rather pretentiously named Directors Bin Very Superior Old Tawny (1874) or the 10-year-old from Fonseca (about £9) or the Quinta do Noval which Sainsbury's sells for a mere £6.95.

Further confusion is on the way.

Shippers already offer single-vintage ports, and in a few years they will be offering varietal ports as well. Until recently tawny vintages were a hopeless jumble, but for the past few years pilots have been replanted with separate grape varieties.

Soon they will be offering single variety ports, and we will be able to start debating whether a Crusted Torreca Nacional gives you a worse hangover than an LBV made from Roriz. You have been warned.

Nicholas Faith looks at shippers' attempts to unravel confusion over the definition of port names

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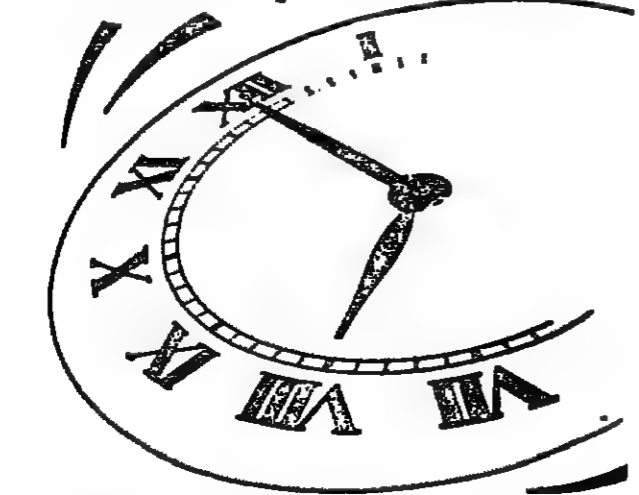
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ANOTHER SAD tale of good things that are no more. Anthony Thorncroft reported in these pages a few weeks ago that the "vice" has been finally brought under control, things are looking up in Soho. Yuppies are buying flats and so on; and there is still good food shopping to be done.

But I find myself behaving like a morose old miser after the blizzards of "vice" used to be. Madame Cadec's, the Aladdin's cave of kitchen equipment. Here used to be Roche, who had French turnips, sorrel and watercress Camembert down in from Paris.

"Parmigiani, Gomez Ortega, Benoit Bulcke, Bourbon, where are you now?"

It wasn't all Italian and French stuff; today's lament is for the London-smoked kipper and the sad story of its passing. There used to be a shop in Soho called Hamburger Products; nothing what ever to do with the hamburger of today, though we assumed some connection with North German ways with fish—Blismarck herrings and so forth.

I used to buy my kippers there. They were as different from all other kippers as fat, silvery smoked herring can be from ginger-coloured salted cardboard. In particular there was no need to cook them in water to keep them moist.

You could, of course, jug them if you wanted to, but they were just as moist when grilled. They were rather nice raw as well.

They were smoked, not in

Peter Fort mourns the passing of London-smoked kippers

Fishy lament



Food for Thought

some highland glen, but just off Gray's Inn Road by John Richards, a master of his craft who inherited the business from his father and grandfather before him. Once you tasted them, no other kippers would do at all.

Richards and his family ran Hamburger Products in Brewer Street as an outlet for the products of the smokehouse.

There was a little marble counter at the back where you

could eat many tasty little fish delicacies on the spot.

Of course the lease eventually went to an "adult cinema"; but the shop moved to a tiny modern place in Fitzroy, and a select few of us trudged up there for our kippers. But now that too has closed, for good economic reasons, and the kippers are gone.

The problem is that Richards is also a masterly smoker of salmon and trout. There is no shortage of demand for his salmon, and particularly his trout from hotels and restaurants. He is also a perfectionist, unprepared to take risks with the quality or to employ anybody to work for him; every piece of fish passes through his own hands. So he could only manage a few herring, and he charged for them accordingly.

Small-scale fish smoking was expensive, and his little shop could not make money, even out of Soho. He used to do sturgeon too, but the raw fish are getting difficult to find—something to do with the healthy dollar.

Why should I expect London's high-class shops to pay

over the odds for his kippers when they can get good kippers from Craster or Loch Fyne or the Isle of Man at reasonable prices?

Why should anybody badger him to produce more kippers at high prices at the expense of his smokes? Trout business? No reason at all. Smoked salmon, trout and eel—even buckling—are luxury foods with an appropriately high price ceiling. Nobody thinks of kippers that way, even those who heard Patrick Lichfield commending them to Edna Everage the other night as his lordly breakfast choice.

Why can we not bring ourselves to care about good things unless they're posh dinner-party stuff? We are allowing the kipper to die in the midst of plenty.

Remember how Lord Olivier led a fight to preserve his right to a kipper on the Brighton train? The battle was won for a bit, as I remember, but lost as any idea of eating it all on the Brighton line was thoroughly stamped on.

Perhaps I am making a big fuss about nothing. But when a generation arises that only knows about kippers from boiled-in-the-bag fillets, they will be finished, as the bloater is already.

That will probably be just when medical science finally persuades us that a large intake of fish oil is going to save us from coronary disaster, and we must all swallow capsules of what dripped off Richards' kippers as we carried them home. Don't blame him.

rose to the fly, but they just would not hang on and the more substantial rises ignored it completely. This was probably because of the wind, which made the fly skate over the surface in a most off-putting way.

When I got opposite the shallow where I had seen the fish before, they were at it again; and on my first cast I hooked one, only to lose it a few seconds later. I would have changed the fly, but it was so dark and my hands so cold that I would not have managed it.

At length the fly drifted down naturally, the fish took it, and I landed a small rainbow of a pound and a half. It wasn't much reward for an afternoon's hard work, but I thought it took more skill and luck than any I have caught this season.

On that note I returned thankfully to the warmth of my car, very pleased with myself. That was until I found my exposure had given me a nasty chill, so perhaps the fish won after all.

John Cherrington

THE TEST was in probably its most unpromising mood of year. There had been more than two inches of rain in the previous 24 hours and there was a howling northerly wind bringing the promise of an early winter, along with a very threatening sky. But I was fed up with sitting at home and decided to have a look, just in case.

When I reached the river, I was surprised to see swallows around; they had left my farm long before. Better still, they were working along the river, either scouring the surface for hatching flies or hunting above the branches of the riverside trees.

My beat had little shelter and, when I got there, I found the banks were flooded and the current very strong. The water, though, was gin-clear and on examination I saw there was a steady hatch of fly, probably Iron Blues. I have found that, in conditions like this, the flies seem to move along the downwind side of the river and there, sure enough, were signs of movement.

Catching cold

Then, on a shallow, I saw a small shoal of fish taking surface fly and one was a rainbow. There was also a bit of a commotion as a few persistent swallows were attacking the same spot. I got close and cast upstream over them. This put the fish down at once; they probably either saw me or my tackle or I might have hit the water too hard with the fly in my efforts to overcome the wind. I regret bitterly that I have never learnt to cast with either hand—something every young fisherman should learn. Otherwise, fishing up the left bank with fish that are close in can be an impossible task.

Marking the spot, I moved on upstream. There was still movement on this bank and I tried to cover them, without much success. I was using a rather moth-eaten Wulff's Irresistible, not a nymph, as I find them as good as any in these conditions. The Iron Blue is a



Fishing

small fly and I thought a bigger one would probably tempt a fish sickened by too many small insects.

In this way I was quite right, but only when I had crossed over and had to fish right over the river to reach the rising fish. Quite a lot of interest was shown as various small ones



Lucia
van der
Post

n Story

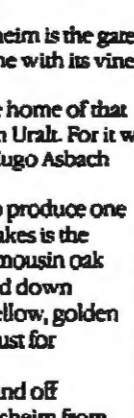
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The illustration shows a tall, slender bottle of Asbach Urali Brandy. The bottle has a detailed label with the brand name 'Asbach Urali' and 'BRANDY' visible. Next to the bottle is a snifter glass, partially filled with a dark liquid, presumably brandy. The glass also features the 'Asbach Urali' logo. The background is plain white.

Robin Lane Fox asks what is a really good translation

To realms of gold

THE TRANSLATOR'S ART
edited by William Radice and
Barbara Reynolds. Penguin.
£8.95; 231 pages

HOMER: THE ILLIAD
Penguin, £2.95; 464 pages

TRANSLATIONS. THE late Roy Campbell remarked, and like wits: they "are seldom faithful if they are in the least attractive." The Penguin Classics have just celebrated a 50th birthday, but they are not planning to be promiscuous or too flashy. They will continue to offer us an extraordinary range of books in translation, whether Greek, Latin, Babylonian or Japanese. No other country has ever had such a huge selection of "classic" translations and no language-group can ever have bought so many of them.

During the next 50 years, there will be less black on the covers; the Greek, Latin and "ancient" authors will be merged with the series of English classics, a move which might be ominous and lead to the dropping of good things like Daphnis and Chloe. To mark the golden birthday, the series has also committed an overdue act of patriarchy. It is replacing the awful translations of Homer by E. V. Rieu. It is a bold move, because his works sold well over a million copies and he himself founded the entire series.

Homer's new translator, Martin Hammond, now holds a London headmastership after a senior post at Eton where the bulk of his version must have been done as an extra work. It is vastly better than Rieu's. He has an exact appreciation of Greek and a scholar's understanding of it. The knights and wardens are gone and there are some notable phrases, especially when Homer gives us a forceful verb or simile. It is much the best modern prose translation of the Iliad, but it is not beyond criticism. It is only prose; it lacks nobility; it

is too ponderous in its choice of words with heavy Latin roots; there are incongruities which ought to have been edited out.

"I care not a splinter", "A churl and a mere booby", "My father is raging with his mind on fire".

Curiosities are much rarer than Rieu's but they spoil the tone. Quite what such "tone" should be is the theme of an accompanying birthday book. Past Penguin translators reflect on their problems without being too highbrow or strenuous. Michael Grant aptly reminds us that literary prose is as easy to betray as poetry; none the less works like Plato's Laws and Republic, Thucydides' History and other Greek historians are signal successes, within their limits. It is good to hear from Nancy Sandars whose remarkable reworking of the Gilgamesh epic is one of the Penguin which really is a work of the spirit more than the letter.

There is a fascinating essay on the problems of translating a short four-line poem by the Japanese master, Basho. The rival versions are hilarious, but it is to the Penguin series that I owe any inkling of Basho and his achievement.

Time and taste compound the translator's difficulties. Sometimes things become easier. "What are we going to do about the smut?", E. V. Rieu asked Peter Green, translator-designate of Ovid's love-poetry, over lunch at the Athenaeum in 1958. Fortunately, Peter Green spent so long on the task that his manuscript arrived in the liberal part of the 1960s when the question had lost its urgency.

Other problems are much harder. Several of the translators praise Dryden's rule for the imitation of a past author: "Write as you suppose that author would have done had he lived in our age and in our country." English has no more consistently excellent translator than Dryden, but I think his rule is absurd. It defies the



A Roman copy of the sculpture of a head of a commander in Ancient Greece, c 500-470 BC. A new translation of the Iliad marks the 50th anniversary of the Penguin Classics series

logic of personal identity.

There could be no Virgil in 1937 and we can only create our own bogus idea of how Juvenal would write nowadays if someone gave him space in the Spectator. In particular, English has lost the necessary scope for most of the classics' style. An English translation must be in readable English, as a minimum requirement, here, the Penguin is absolutely right. But nowadays, "readable" English cannot cope with the formal allusive and literary heights of style and language which ancient authors practiced. The heavy colloquialisms and aggressive bawdiness of the 1960s translators represented the worst of both worlds.

The series has not only lost its founder's Homer. It also lost, in 1955, his admirable successor, Betty Radice, who did so much for its coverage and quality. The birthday volume of tributes brings out the gifts which she also emphasised in

her own translations of Pliny and Erasmus. It also gives a touching review of her difficult, not least the sadnesses of early death in her family. Nineteen seventy was just about rock bottom. Her daughter had recently died; Penguin Publishing was changing course; the Cambridge pundit, M. L. Finley, had been brought in to overhaul the quality of several volumes. Betty Radice wrote him a marvellous letter, reprinted here as a riposte to his excessive bluntness. Not long before she had also received from him an offer to translate the Greek historian of the Roman emperors, Dio Cassius. That author, at least, raised no hopeless problems of style, but I still remember her shrewd, encouraging, answer and cautious approval. Dio, indeed, found a translator, but the FT rescued him from me and I ended by writing on gardening instead.

Evelyn Shuckburgh on a crucial series of postwar conferences

Why Bevin failed

DOCUMENTS ON BRITISH POLICY OVERSEAS: Series II Volume II: The London Conference, Anglo-American Relations and Cold War Strategy January-June 1950. Edited by Roger Bullen and M. E. Kelly, assisted by H. J. Yemee and G. Bennett. HMSO, £35.00. 500 pages

THIS LATEST volume of Foreign Policy documents covers a period of barely six months. It deals with what has become known collectively as "the London Conferences" of 1950, a complex series of meetings of the western powers which began as a duo between the British and Americans (Bevin and Acheson), continued on a tripartite basis with the French (Robert Schuman) and ended up with the 4th (12-power) meeting of the North Atlantic Council.

It was a time of particularly intense thought and discussion about the state of the Free World, the cold war, the future of Germany, the future of Europe. In the preparation of these meetings, in the briefs written for Ministers and in the records of the discussions themselves we see Whitehall wrestling with the problems of Britain's future at a dangerous and unsettled period of history. The documents illustrate, in a concentrated and dramatic form, the painful dilemma in which we found ourselves, still one of the "Great Powers" in our own minds but ruined by the war.

The very format of the London conferences, with their two-power, three-power and 15-power progression, would be inconceivable today and was controversial even then. When Bevin first suggested them, Acheson there seemed to be no question on either side but that Britain and America would be the leading protagonists and the other powers would be brought in only after these two had reached broad agreement.

The British hope and expectation was that this "special relationship" between the two countries would be permanent and tangible form, and Acheson initially gave some encouragement to this idea. But he had abandoned it well before he arrived in London.

Already on the second day (May 10th) of his meetings with Bevin, when they came to discuss a paper which had been drawn up by Foreign Office and State Department officials about "Coordination and Consultation" between the two countries, he said that it was "quite impossible to allow it to be known that any such paper had been drawn up or that it had been agreed to" (Document No 84). One of the distressing aspects of this whole story is how slow we were on the British side to recognise the unreality of our ambition for a special status in American eyes.

We might have been warned by Maynard Keynes' experience in the Anglo-American loan negotiations of 1945, when the idea of Britain "sharing" world responsibilities with the US, free from undue financial preoccupations (see Series I, volume II of these documents) had been roughly brushed aside by Truman. Churchill, when he returned to power in 1951, might have been warned by Bevin's failure with the same line of thought in 1950. Eden likewise. But they were not, could not be. One of

the advantages of reading live documents such as these is that one can see not only the painfulness but also the extreme difficulty of adjusting the thoughts of a nation which is having to draw in its horns.

The failure to institutionalise a "special relationship" with the US was not the only disappointment of the London Conferences. Another aim which had to be abandoned was, as I expressed it at the time, "to make the North Atlantic Treaty into the master association of the West and the umbrella under which all the various forms of co-operation should gradually be covered and eventually merged" (Document 117). Marshall Aid was due to terminate in 1952 and our hope was that NATO might then take over OEEC's economic functions; we saw the "Atlantic Community" as a unique means of resolving the dilemma of Britain's dual role in the Commonwealth and in Europe. Such ideas fell by the wayside as the conference proceeded. The French would not hear of it and the Americans agreed with them. We had to be satisfied with the establishment (no

mean achievement as it turned out, and more realistic) of the North Atlantic Council in Permanent Session, upon which Western defence co-operation was to rest up to this day.

Dr Bullen and his colleagues have, once again, made their selection from the great mass of official documentation with imagination and skill. They have succeeded in bringing out the dramatic quality of these exchanges without, so far as I can judge, distorting the reality. Having myself had the function of Secretary General of the London Conferences I naturally find it fascinating to read again, 37 years later, documents with which I was then so familiar and many of which I drafted myself. The general impression which I derive from this volume is that the aims and objectives of British Ministers and their advisers at that time, though sometimes vain and even, as things turned out, a little pathetic, were never ignoble or ridiculous.

The greatness of Bevin is not tarnished, even where he was unsuccessful. There was of course an absolute conviction that British power was beneficial to mankind and that the rest of the world (and particularly the Americans) ought in their own interest to assist us in maintaining it. But there are also to be detected in the documents powerful strains of loyalty to old friends (especially Commonwealth countries), attachment to our widespread duties (especially towards the colonies) and a determination to make good use of the influence at Britain then, though in the world even while our Empire was crumbling.

That none saw the full extent of the changes which were to come upon us all is also very evident. One sentence from a key Foreign Office memorandum on "British Overseas Obligations" (No. 43 in this volume) illustrates it nicely.

Conclusions
As the United Kingdom cannot divest herself of her position as a World Power, because...

The documents abound in striking flashes of this kind, few of them however so brutally refuted by subsequent history.



Dean Acheson: putting Britain in her place

ALEXANDER KERENSKY: THE FIRST LOVE OF THE REVOLUTION
by Richard Abraham, Sidgwick & Jackson, £20.00. 503 pages

THE LIFE and career of Alexander Kerensky present many difficulties for a biographer. Richard Abraham has tackled the task with exemplary patience, and an impressive mastery over a mass of documentation and a huge number of interviews, so that it is unlikely that this study will ever be surpassed or even rivalled.

To begin with, the author has explored all the available sources, many of which will be unfamiliar even to experienced students of Russian and Soviet history. These range from conversations with members of the Kerensky family, to a close analysis of Kerensky's own writings, to the archives of many countries on three continents. They include extracts from the Imperial Russian archives (with reports from the Okhrana, the Tsarist secret police, on Kerensky's pre-revolutionary activities), papers in the Imperial German and Austro-Hungarian Foreign Ministries, British and French Foreign Office records, British War Office secret telegrams, Finnish, Swedish, Polish, Czech and Yugoslav documents, stenographic records of the Duma 1906-1917, the collected works of Lenin, articles in the Soviet

Man of doom

press and prominent émigré journals, together with the memoirs and comments of such observers and participants as Rozanov, Savinkov, Stankovich, Zinoviev, Elipin, and many others. Russian titles are translated but not translated, and other foreign language titles are left in the original; no doubt he has added English translations in each case would have swollen still further a section of notes which already runs to 72 pages.

Why is it, then, that in spite of this monumental accumulation of materials, the character of Kerensky remains elusive? Abraham himself, for all his warm although not unqualified admiration for his subject, sometimes admits to a certain perplexity. One might expect to find clues in Kerensky's family background. He was born in 1881 in Simbirsk, where his father was director of the Classical Gymnasium. Ironically enough, Kerensky's senior was a friend of another educational administrator of similar rank in Simbirsk, Dya Nikolaevich Ulyanov, whose younger son, Vladimir, was to become Lenin; and even more ironically, the older Kerensky provided Vladimir with a glowing testimonial while the son of Lenin, articles in the Soviet

press and prominent émigré journals, together with the memoirs and comments of such observers and participants as Rozanov, Savinkov, Stankovich, Zinoviev, Elipin, and many others. Russian titles are translated but not translated, and other foreign language titles are left in the original; no doubt he has added English translations in each case would have swollen still further a section of notes which already runs to 72 pages.

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Kerensky was just as eager as Lenin to bring about a transformation of Russian society, but he never renounced his belief that it must be a democratic society. Time and again he tried to weld the forces of the Left into a coherent unity, thereby incurring the hostility of the right-wing elements of the Provisional Government, he did what he could to protect the revolution, but he was not a Bolshevik. Of course, he was not imperious to external pressures. For a time, he supported the so-

called Zimmerwald terms for a peace offer to Germany ("no punishment, no compensation, no annexations") yet he later fought strenuously to keep Russia in the war. He saw the slow disintegration of the Russian army, as well as the divisions fell under Bolshevik influence and the men murdered their officers, but he resolutely opposed the restoration of the death penalty for mutiny.

He could have taken steps to suppress the rising Bolshevik threat but refused to do so, and one cannot help feeling that his quarrel with Kornylov was not only a tragic error, but an unnecessary one. He was Prime Minister for only a few weeks from early July 1917 on, but the reins of control were rapidly slipping from his grasp, and after his overthrow, he spent the next 50 years in exile.

So why does he remain so difficult to pin down? In many ways, he was a typical Russian, intelligent, subtle, intrusive, intent on a dream which he pursued with many harsh realities. That he was a deeply sincere patriot is not in doubt, and many observers have borne witness to his charismatic qualities, his ability to sway vast numbers by the power of his oratory. But in a tiny fraction of Russia was tearing itself apart in the grip of dark forces, charisma, like patriotism, was not enough.

Erik de Mauny

Their Honours under scrutiny

JUDGES
by David Pannick. Oxford.
£12.95. 255 pages

THE TERRIBLE TRUTH ABOUT LAWYERS
by Mark H. McCormack.
Collins. £12.95. 235 pages

JUDGES ARE not what they were—thank goodness. On the strength of 28 years in the press box in the Royal Courts of Justice it can be said that the average occupant of the judicial bench has changed from a Dickensian throwback wholly remote from the real world to an approximation of the more superior traveller on the Clapham omnibus.

True, the great majority of judges still come from the same privileged social and educational background, but the changes in society over the past three decades have affected even the legal profession. It can be acknowledged, without excessive generosity, that there are today judges who exhibit some at least of the characteristics of humanity, intellectuality, efficiency and lack of pomposity.

However, as David Pannick makes clear in his entertaining and often provocative survey of the bench, the situation is still far from ideal.

"The judiciary can claim many virtues. But it cannot claim to be representative of the populace," he writes; and, "it is inequitable in a democratic society that one set of values

should so predominate on the Bench." And again, those who go to court "are entitled to be heard by judges who understand and reflect the values and concerns of contemporary society."

Mr Pannick sees the fault as lying less in the judges themselves, whose performance he says is probably higher than ever before, than in the system of appointing and training the judiciary and the mystique that surrounds it.

We need judges who are not appointed by the unassisted efforts of the Lord Chancellor and solely from the ranks of middle-aged barristers. We need judges who are trained for the job, whose conduct can be freely criticised and is subject to investigation by a Judicial Performance Commission; judges who abandon juries, gowns and unnecessary linguistic legalisms; judges who welcome rather than shun publicity for their activities.

He even commits the ultimate heresy (for a member of the Bar) of suggesting that barristers do not have a divine right to a monopoly of senior judgeships. Enabling solicitors to sit

in the higher courts would "do much to dissipate the oppressive atmosphere of social and professional exclusivity that renders our courts so remote and daunting to the layman," he suggests.

The present practice "is explicable only as a restrictive practice for the benefit of barristers." It "imposes a serious detriment to the public interest by unnecessarily limiting the pool of eligible candidates."

The book is larded with a wealth of quotes and historical anecdotes from this and other jurisdictions. For example: "When, in the 1860s, Lord Westbury asked Sir William Erie why he did not sit on the Judicial Committee of the Privy Council, Erie replied, 'Oh, because I am old and deaf and stupid.' Westbury was convinced by this answer: 'But that's no reason at all,' he said, 'for I am old, and Williams is deaf and Colonsay is stupid and yet we make an excellent Court of Appeal.'"

Plus ça change... The title of Mark McCormack's book—The Terrible Truth etc—gives a good indi-

cation of his view of lawyers, whose participation in the otherwise wholesome, straightforward business he clearly regards as a regrettable but unavoidable necessity.

Mr McCormack is a lawyer turned international entrepreneur, not unknown in the world of champagne, but the uneasy relationship between lawyer and business client his sympathies are almost wholly with the latter.

It is a matter of sadness to him that, were it not for the lawyers, businessmen could seal every deal with a handshake on the basis of simple trust. Lawyers, his experience, "gum up the works; get people mad at each other; make business procedures much more expensive than they need to be; what now and then hash up what had seemed to be a perfectly workable arrangement."

They are also masters at stalling, prone to verbosity and involved in a tact conspiracy with each other to prevent their business clients knowing things they need to know. On the credit side, they are effective and capable of "grace under pressure."

The book is an amusingly written mélange of anecdote and advice, plainly based on years of bitter experience. Both businessmen and lawyers will find that arms their prejudices about each other.

Raymond Hughes

Fiction

Eve of poll

PRESUMED INNOCENT
by Scott Turow. Bloomsbury.
£12.95. 431 pages

THREE CONTINENTS
by Ruth Praver Jhabvala.
John Murray. £11.95. 384 pages

ABSDUR COURAGE
by Nobuko Albery. Century.
£11.95. 254 pages

AT FIRST glance, £130,000 might seem an absurd amount to pay for the British rights to an unknown American's second book, but the new publishing house of Bloomsbury have got it absolutely right with Scott Turow's cerebral and thoroughly engrossing thriller, Presumed Innocent.

It's an American book all the way, a slick, glossy, wondrous set in a mid-Western town (probably Chicago), and put together with considerable brio by a Harvard man in a button-down shirt who practices law himself and has clearly seen the mean streets at first-hand, if only from inside a courtroom.

The plot as such is nothing spectacular, a beautiful, preposterous lawyer is found raped and murdered, two weeks before her boss, the city's chief prosecuting attorney, is up for re-election. The pressure is on him to solve the crime before polling day, a pressure in no way eased by the rival candidate, who deliberately obstructs the inquiry in an attempt to discredit the opposition and grab the headlines for himself.

The chief prosecuting attorney once had an affair with the dead woman, as did his assistant, the novel's non-political narrator. There is evidence indeed that the narrator was making love to her at about the time of her death, a suggestion indignantly denied, but substantial enough to lead to his arraignment on a charge of murder.

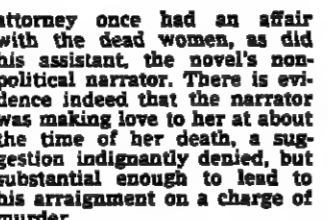
The courtroom drama that follows is in the best Perry Mason tradition, with as many twists and turns as you could reasonably hope for and an outcome that remains in doubt right up to the last moment. Never for a second does the tension slacken, and the solution—when it comes—is as plausible as it is ingenious.

But the mechanics of the novel are only part of the story. What is really on trial here is not the narrator but the American way, the whole American system of justice. A system which requires judges to run for office and so leaves them open to all sorts of political and financial pressures, and totally enthralled to the known this side of the Atlantic.

The author paints a bleak, yet very compelling picture of graft and corruption, of kickbacks and quid pro quos, of judges on the take, police demanding favours from bookers, convicts smashing the teeth of fellow prisoners who spurn their homosexual advances.

Only the outsiders are honest in this story, only the loners clean. It is a brutal, damning indictment, and totally enthralling.

Ruth Praver Jhabvala's Three Continents operates in a com-



Nobuko Albery: gentle emotions

pletely different vein. It begins in New York and moves from there to London and India, following the fortunes of a rather wishy-washy American brother and sister who fall under the spell of a bogus Indian guru, the founder of an obscure sect devoted to the achievement of world unity.

Harriet is introduced to Crishi, the guru's charming but corrupt adopted son, by her homosexual twin, Michael. They marry, and she accompanies Crishi to London, where they eat in smart restaurants but live in separate flats, as part of the movement's communal lifestyle. Meanwhile, he heavily into Buddhism, and plans to donate their American estate to the movement as soon as he comes of age.

It's a very plausible story, a bit depressing, more so perhaps than the author intended. She captures the characters, and the futility of their lives, very convincingly—so convincingly, in fact, that one is seized by the end with overwhelming desire to grab each of them by the scruff of the neck and give them a good kicking.

Nobuko Albery's Absurd Courage inspires calm, gentle emotions, as befits its subject. It deals largely with the culture shock experienced by a shy young Japanese girl who marries an Englishman more or less on

the spur of the moment; and since the author has married a Japanese in her time, we may assume that she knows what she is talking about.

The heroine's image of England is culled largely from the 1945 Noel Coward movie Brief Encounter, but the reality proves very different. We are a nation of meat-eaters, for one thing. A strange people who drink alcohol, for another. And, thing from left to right, and publicly burst into laughter for no discernible reason.

Our houses are large, so large that a foreigner can only rarely feel at home in the lavatory, and we cheerfully dry ourselves on towels so vast that they would take a week to dry in humid Japan.

We open presents, too, in the presence of the donor, and, as a result, we have a bunch of Yabooks, although it has to be said in our favour that when Grannie is cremated we do not—by and large—remove her gold teeth from the ashes with a pair of chopsticks. Culture shock is a two-way traffic, as Nobuko Albery readily admits. She is having a good joke at our expense, a joke that happily we can all share.

Nicholas Best

Former Head looks back

LETTERS FROM SCHOOL
by John Rae. Collins, £10.95.
226 pages

A MEDIEVAL arch, a paved and empty space, left of centre a dark-suited, silver-haired and handsome man. According to his own definition of the headmaster, a hirer of teachers, an inspirer of boys, a firer of both. The book he writes on retirement from the headship at Westminster School tells us what he has "really thought and felt" about educational problems, the things he wishes he had said while on the job.

We encounter composite identities, real incidents, imagined happenings. Few of these people and passages are rendered with the liveliness and precision of Brechtner or Poy on the middle classes and their child-rearing. Issues are not so much discussed as debated but the other voices never possess an authoritative ring—indeed many parents and most other headteachers or classroom

teachers come out very badly indeed.

Some of the put-downs seem to have a touch of vindictiveness: a bishop's chaplain complained that boys had not stood back for him. No doubt the complaint was prissy and irritating but Rae pushes it roughly aside: "A brief spell in the gutter would have done his humility no harm."

More significant than this though is his opportunistic fine to be a deist, fine to wish to awaken "religious restlessness" but better to do so without preaching from an Abbey pulpit. In the "God" chapter Rae describes how he coped with being upstaged by a member of

staff who walked out of service in protest at the headmaster's sermon. "From the pulpit I said 'Let us pray, a useful formula for restoring calm.' Too much the utilitarian and too little the idealist for previous statements regarding his religious ideal ('the very opposite of cynicism') to carry much conviction."

The adroitness of the way he defuses the tense moment in the Abbey is however undeniable. So, throughout the book, is his commonsense, his shrewdness, his dismissiveness of routine and rigid conceptions of intelligence for instance—and his quick spotting of his own manipulativeness. The dis-

like of pomposity is attractive. Could it in fact be this trait that has earned him notoriety as a maverick? For the most surprising feature of the book is its utter lack of radicalism.

I had thought that it was for radical ideas that Rae had gained a certain reputation. But the universal problems are raised in forms which give them a curiously parochial feel. General propositions can be embarrassingly trite: "Human nature is a very permanent truth." Certainly Rae is more universal than most in his answer on marital breakdown and sex.

This is a wish-fulfilment book—one in which the headmaster always has the last word and the final understanding. It is a far cry from the individuality and insight of Hugh Ruskell-Smith's Doubtful Schoolmaster. And a world away from the precise observation to be found in a four page article by Marguerite Duras: Report Card: Could Do Better.

Janet Gough

ARTS

Paul Driver in Japan with the
Scottish National OrchestraA yen for
lollipops

IT IS NOT every day that a department store sends an orchestra round the world, but it happened this month. The Mitsukoshi company, Japan's oldest department store (it was apparently established in 1873) and its most illustrious (the main outlet in Tokyo's Nishi-Shinjuku district is a veritable consumer's cathedral), has been hosting a British Trade Fair spread across all 19 of its branches throughout the country. Since the company's mandate is not merely to sell things but "to promote international cultural exchanges and raise the cultural standards of Japanese people" it decided to bring a British orchestra over as well, and make a musical emblem of healthy trading relationships: the first time, I believe, that Mitsukoshi has indulged in sponsorship on such a scale.

The Scottish National Orchestra with its musical director Neeme Järvi were awarded this accolade. Mitsukoshi paid all travel and accommodation expenses and a fee to the orchestra (total sum \$125m), chose the programmes and venues, and staged the concerts in five cities, beginning and ending with Tokyo. The programming partly reflected what was available from the orchestra on compact disc—Scheherazade, Peter and the Wolf, a Dvorak symphony—but primarily a taste for lollipops: thus we got *Pomp and Circumstance* No. 1, *The Nutcracker Suite* and Glazunov's *Autumn* from *The Four Seasons* (a TV theme tune) in most of the concerts and not the more

interesting recent recordings by the orchestra, such as Prokofiev's symphonies or rare tone poems by Dvorak and Glazunov. Still more disappointing was the lack of an invitation to the orchestra to play either of the two pieces by Toru Takemitsu, Japan's leading composer, which it knows. For substantial musical fare there was only really Saint-Saëns' *Organ Symphony* (No 3) and Dvorak's fourth.

The hotels selected for the tour were luxurious and palatial: modern (in one case, brand-new), skyscraping, womb-like, brilliantly functional, vastly expensive, and almost indistinguishable from each other in the memory. They promptly gave everyone a sense of what it means to be in today's Japan, which is to be comfortably surrounded by absolute efficiency (no problem it seemed, couldn't be solved by the hotel staff).

But no hotel can be too comfortable for touring orchestral musicians, who must work hard during their stay and endure considerable stress. Thoroughly cosseted, the players could the better cope with the incessant packing and unpacking, endless coach rides to concert halls, "bullet" train journeys from city to city, and the general metabolic upheaval of being nine thousand miles from home.

The first day after arrival in Tokyo was spent having luggage sorted out the place-names in Japanese at Shinjuku station opposite our hotel, we could quite easily get about and see



The SNO brass enjoying some female company on the steps of the Suntory Hall, Tokyo

sights, such as the Meiji Shrine near Shibuya, or the glittering and imposing Asakusa Kannon Temple, or the famous shopping area of the Ginza. The next day, Sunday, brought the first concert, held in the year-old Suntory Hall, tucked into a high-rise complex in Akasaka. This event was sold out and sufficiently successful to draw three encores (Malcolm Arnold's *Scottish Dances*), though the real enthusiasm of polite Japanese audiences is not easy to measure. The acoustics of the hall were good, if slightly distancing (like hearing through the wrong end of a telescope), and the playing—brave insofar as the orchestra was still largely suffering from jet-lag—was distinguished in *The Nutcracker Suite* by crisp, vivid woodwind contributions that still linger in my mind.

Järvi's approach to his (absolutely sterling) orchestra on this as on subsequent occasions was powerfully en-

gaging: he compels them to follow him alertly in interpretive ventures that are unpredictable, spontaneous, sometimes playful, but always persuasively musical. The repeated programme allowed one to observe how excellently unmechanical unfixed Järvi's readings are—Scheherazade was never the same piece twice, and we heard it six times. (No amount of subtle alteration will convince me that it is a good piece, however.) The Arnold dances used as encores showed immense and sportive variation from night to night: the players were mischievously tested to their limits, but they clearly know how to play—and want to—for Järvi.

If the next night's concert in Nagoya was disadvantaged by a cramped and acoustically rather garish hall, that in Osaka Symphony Hall the following night was enhanced by one of the best acoustic spaces I've ever experienced, and the

orchestra gave a memorable account of the Saint-Saëns symphony in it (with Japanese organ soloist Naomi Matsui)—the finest performance of the tour, I think. In Hiroshima, at the Yubin-Chokin Hall, Scheherazade received its most interesting rendering of the week, the outer movements being heard at their most monumentally majestic. In Chigasaki, Dvorak's comparatively infrequently played fourth symphony was given—the one piece chosen not by Mitsukoshi but by Järvi.

Back in Tokyo, the Sunday evening concert, finale of the tour, was freshened by Agnes Chan's sparkling, seductive narration of *Peter and the Wolf* in Japanese: her voice had a treble but unshrill timbre ideal for the piece, and it also revealed a musical beauty in the Japanese language hitherto unappreciated by me.

A number of tour-members, as I did, found Hiroshima the

most sympathetic, attractive and interesting of the places we visited. (A rushed half day in Kyoto did scant justice to the fabulous charms of that historic city.) Some of us spent an unforgettable morning on the nearby sub-tropical holy island of Miyajima, where a Shinto torii stands resplendently in the sea, and free-roaming deer eat out of your hand.

All of us solemnly went to see the park and museum in Hiroshima which memorialise and protest against the dropping of the atomic bomb. A delegation of the players, led by Järvi, had a notably successful session coaching the orchestra of the Junior and Senior High School of Hiroshima in the *Die Fledermaus* overture (the event got on to the TV news). It was constantly astonishing to be in Hiroshima at all; but to make conciliatory music there was perhaps the main justification of the Mitsukoshi tour.

B. A. Young listens in at the
Cheltenham Literary FestivalWriters in
focus

THE FIRST week of the Festival took its fortunes into the countryside, celebrating Fanny Kemble at Winchcombe, Venice addicts at Leckhampton, Herbert Tree at Cirencester, the second world war songsters at Bishop's Cleeve.

This week has seen things in full flow in downtown Cheltenham. Appropriately, Margaret Drabble opened with her list of Twentieth Century Classics, which she discussed with Frank Delaney. Who would ever agree with anyone else's list? My only serious objection was leaving out Maugham. He surfaced later that day, when Victoria Glendinning, John Julius Norwich and Frank Delaney debated which three books they would take if, like Maugham in 1941, they had to leave home in a hurry. They went for Middlemarch, Alice and Gibbon's Decline and Fall, in who knows how many volumes.

More particular attention was focused on an enjoyable variety of writers when Fernald gave an enchanting talk, performance even, on Fanny Burney. She was followed by a symposium of three experts (plus, of course, Frank Delaney), on Trollope and Victorian values, an apt occasion to tell about the newly-formed Trollope Society, which is to publish a complete edition of his 48 novels. Lear's nonsense verse was discussed, and read with uncommon drama, by Nicholas Parsons. What seemed to be a talk on Sherlock Holmes by Michael Hardwick, who has probably written more about Holmes than Conan Doyle, in media Doyle never dreamed of, proved to be about Mr Hardwick's personal involvement with Holmes, and very entertaining and informative it was.

Humphrey Carpenter "reconsidered" Tolkien, whose biography he has written, not to make new judgments but to indicate some relevant factors in Tolkien's Army service in the Somme, the absence of any new religious creation that might conflict with his own Catholicism. Andrew Sinclair placed William Golding in the hard tradition that began with Gilgamesh, an epic that he interestingly compared with Robinson Crusoe. Graham Holderness suggested that Shakespeare himself was becoming a myth, created by, and for, tourists at the expense of the real man. Monica Dickens talked about herself, than which nothing could be nicer, and about the Samaras, whom she introduced into America; and then autographed books for

hundreds of fans. As if to round off the current quota, Michael Meyer spoke on "Writers I Have Known," who, since they include Shaw, Max Beerbohm, Orwell, Auden and Graham Greene, make up a solid treasury. Julian Symonds, the unchallenged expert, spoke on the modern crime story, and Glyn Hardwicke, doubly expert, on the place of wine in crime fiction.

Then there were writers talking about writing. They seem on the whole not to enjoy it. Three authors of first novels were as touchy about publishers and agents as about rejections: even Maureen Duffy and Maggie Gee, in a mutual appearance, still and writing a kind of agony, it seems.

There is a proper theatrical element in this year's schedule—talks on Lorca and Bulgakov, each with a one-man performance to follow; Robert Cushman on his beloved lyrics from musicals; and, to my mind a deeply serious matter, a symposium on the value of Soap. This was presented by Lis Rigby, producer of *The Archers*, Julia Smith, producer of *East-Enders*, Laurie Taylor, professor of sociology, with James Pettifor, sometimes *Archers* writer, in the chair. Nothing has so far better illustrated the theme of this year's Festival, "Literature and Living."

Living theatre was brought this week by the Medieval Players, who did Chaucer as a puppet play, with spoken middle-English dialogue, and John (not Thomas) Heywood in a 16th-century pronunciation I only half believed in. They also sang, played and juggled, too long, I thought, but it was worth waiting to see nine flaming torches thrown about between three men. We had a fine sexist anthology compiled by Anne Harvey to illustrate the relationships of mothers and sons (but not daughters). This was superbly done by Roger Rees and Virginia McKenna. We also have Jack Klaff, who has done his Kafka piece and is now available for advice to would-be writers. Of the poetic suite Pios Pher for singer, flute and tapes I cannot write; it is from a world I have never visited.

Chess No. 693

1 Q-K4 ch, K-N1; 2 R-N6 ch (not 2 K-R5? Qx2 ch), BxR; 3 K-R6, R-Q2; 4 Q-R5 ch, 5 NxR ch, 6 NxR ch and 7 NxQ (a study by L. Kubbel).

Theatre

Entertaining Strangers

TWO YEARS ago David Edgar wrote *Entertaining Strangers* for the now established Dorset community plays under the directorship of Ann Jellicoe. A visit to Dorchester prompted these pages to note the irrelevance of professional criticism to the therapeutic social activities of local amateur theatre. Now the National Theatre has mounted a promised production of the rewritten piece, a companion incidentally to another study of nineteenth century west-country working life in the repertoire, *Ting Tans Must*; and deprived of the element of local involvement, the play leaves one wondering what this gallumphing ersatz village pageant is doing at this address.

Peter Hall's desperate direction drags in everything but the kitchen sink—though it does include the kitchen copper,

streaming away in a hallucinatory sequence—but is foiled by the simplistic school broadcast episodes, signalled with the subtlety of a blackboard pointer, in this tale of Dorchester's Victorian cholera epidemic. And nothing can redeem the stilted, lifeless dialogue with which the author evidently intends to convey the period's formal speech, peppered with solecisms and jarring anachronisms.

The words are spoken by Sarah Pidgeon, founder of that distinguished brewery whose handsome Victorian building still strikes travellers between the station and the centre of Dorchester. Her rise to commercial eminence runs parallel to the story of the Reverend Henry Mould, a hell-fire fundamentalist clergyman whose unpopularity was mitigated when he proved himself

a hero in the cholera plague of the 1850s.

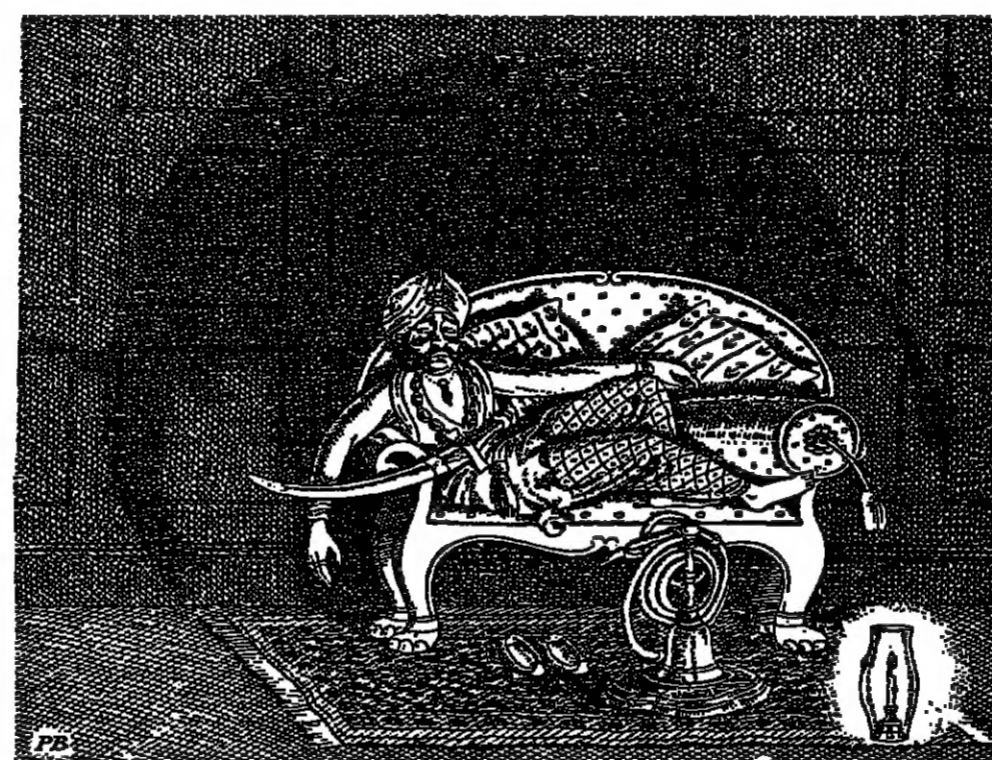
The one-dimensional characterisation reeks of the patronising attitude taken towards amateurs. The locals are mummified clods, the upper-class sound snooty. The general intellectual level seems aimed at the bright ten-year-old possibly interested in local social history. William Dudley's set allows for steel grid platforms to be wheeled from either end of the central setting area bearing horses' heads, as bright as merry-go-rounds, to signify military pomp; fairground posters and barkers; and the smoke-stung of an early locomotive. Mummies provide a descent in those thick accents that it doubtless takes RADA three years to instill, their Ku-Klux-Klan outfits of coloured shreds pointing the manner of the approaching epidemic or the harshness of life for the poor. There are four excellent musicians. And an intelligent cast tries to breathe life into information-loaded exchanges like the informal chat between two brothers that begins, "Do you know what I do with my days?" and continues with "You are an inspector of the Poor Laws for the district of East Anglia."

Given the laws-mum approach of the common people (especially with the loose ladies, all roving eyes, hands on hips), nobody can do much with these pastboard figures. Tim Pigott-Smith feeble-fums as the Rev, chiefly remarkable for his tendency to address people only three-quarters facing them, as if Dench is criminally wasted as the Mother Courage of the maltings, saddled as she is with coyly humorous rib-nudging anachronisms ("muscular Christianity I'm told it do be called") and even supernatural presence ("Who do you think you are, Saint Joan?" she cries, a good three-quarters of a century before the Maid's canonisation, though she quickly changes it to St George). Sally Dexter sings out in a number of parts; Dominic Muldowney provides good folk music, a great deal of heavy and obvious drollery that leaves me puzzled as to the intended audience. As social history the piece is skimpy, as morality superficial. As drama it remains inescapably destined for the parish hall.

Martin Hoyle



Caricature by Sherriffs of John Gielgud and Gwen Frangon Davies in "Richard of Bordeaux" at the New Theatre in 1933, one of the exhibits in a celebration of Gielgud's stage career that opened this week in the Theatre Museum, Covent Garden



Radio

The philosopher elephant

ONE DAY last year the Radio Times printed a drawing of a maharajah on a sofa, illuminated by a lamp that cast his shadow on the wall behind, a shadow in the form of an elephant. The BBC then commissioned three writers to compose plays for Radio 4 based on their reactions to this picture. We heard two of them on Tuesday.

Mona Kahan wrote a 30-minute farce about Herbert Mellish, an American businessman killed by driving his car into a circus elephant. The elephant takes on his personality, refuses to do tricks but gives advice, "the philosopher elephant." Unfortunately it is electrocuted by a television connection. Herbert's wife is sure her husband must have transferred to another elephant, but a voice comes from a goldfish-bowl. It becomes famous as "Maharajah the philosopher goldfish." Take it from there. Cherry Cookson directed.

Andrew Rissik offered a one-hour version of the fable of Troy which I thought masterly. The story is basically as we know it, but written in modern prose of high poetic quality. Priam (Paul Scofield) sets the scene from within the walls of Troy.

The siege has endured for 10 years. Hector (Ronald Pickup) still thinks of war as an inevitable duty, Paris (Michael Kitchen) has, since his youth, put love above all. He has a beautiful speech to Helen (Jane McTeer) beginning "I was a gannet and I caught you like a fish, I was a bear and I caught you in the woods," yet when he is slain by Philoctetes's arrow he recalls only an early vision of Oenone.

"Soldiers go to war," Helen says, "because they are not happy at home." On the other side, Achilles regards war as a fact of nature: "We make ferocious wars, and yet none are driven by hatred. Nations go to war and the soldiers feel nothing but admiration for the men they kill." There is a passing mention of a chieftain in the Indian campaign with an elephant reference is to war itself, so meaningless and yet so magnified by the participants.

Neither Barbican nor Shaftesbury Avenue is the Yiddisher theatre described in last night's *A Laugh, a Tear, a Song*, by Flora Wolchover. Imported here in 1983 by Jacob Adler's Russian refugee company it

was eagerly accepted by the Jewish immigrants with which the East End teemed. It reached its peak at the 3,000 seat Pavilion Theatre, Whitechapel, but as the Yiddish dish-speakers became rarer and cinemas more numerous. Now it is down to a touring status. The samples of Yiddish playing given by Anna Tselniker, Harry Ariss and Bernard Mandelovich were good to hear.

Last Sunday's *Lost in the Crowd* (Radio 3) scared me. World population is now 5,000m and is liable to double every 35 years unless the human race learns family planning. In Asia, Africa and the Middle East, big families are de rigueur, whereas in prosperous countries the cost of state-of-the-art living makes the cost of bringing up children a dispensable factor. Moreover, we are squandering our minerals, fuels, agricultural soil and such items as rain-forests. The planet cannot support a 10,000m population, the figure we shall reach in the year 2022 at the current rate. The alternatives to family planning are, said Colin Tudge's feature, slow starvation, war or disease. Take your pick.

B. A. Young

Ballet

A faithful La Sylphide

the narrative as there is in Lovenskjold's score. This innocence is shown in London City's presentation to be a merit of the ballet which is sometimes overlooked by more ambitious producers.

In Peter Farmer's pretty designs, the tale achieves a real potency by reason of the clarity with which we see the dances and the sweet machinery of the drama. The ballet's very domesticity, the conflict between the simple world of the crofters and the mysteries of the super-

natural, give a poignancy to the sylphide's passion and to the emotional disaster that overtakes James. We see Bournonville's work for what it once was: a lyric tragedy which gripped an audience alert to Romanticism's fervours. This restoration of an original quality, of that element of the pathetic so essential to the period of the ballet's creation, is as admirable as it is rare.

London City's cast do well by the piece. Thursday night's sylphide was Jane Sanig, a

dancer having a gentle, light touch and a beguiling way with the sylph's impulsive and child-like passion. There are nice touches of dance manner still to be mastered, as there are for all the performers, but Miss Sanig can float and pose with winning grace, and she never betrays the delicate outlines of the choreography. Her James was Michael Corder, whose dancing with the Royal Ballet always had largeness of scale; allied here to a sensitivity in playing, it results in a reading both elegant and credible. From Harold King a

Madge in the best traditions of the role: a malign glee, sudden accessions of bitter energy, give the drama its proper focus on the final triumph of evil. I enjoyed, too, the clean and unfussed work of the ensemble: Bournonville, in sum, is truly present in this staging.

The programme began with two lollipops: a slightly strange hors d'oeuvre—as the company raced through something billed as *Laurencia* and Marian St. Claire and Tim Almas dealt happily with the *Nutcracker* grand pas. The *Laurencia* has lost its Krein score and is danced to some jolly pages by Minkus: it looks—and might well be called—*Memories of Don Quixote* or *Cliche* from Old Seville. But it tickles its public's palate.

Clement Crisp

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